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Preparatory process for the Conference

AID CO-ORDINATION AND EFFECTIVENESS: LEAST DEVELOPED COUNTRIES 1981 - 1989

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Preface by the UNCTAD secretariat

(i) One of the most important outcomes of the first United Nations Conference on the Least Developed Countries, which was held in 1981 and which adopted the Substantial New Programme of Action for the 1980s for the Least Developed Countries (SNPA), was the great stress laid upon improving the co-ordination of aid to each least developed country (LDC) and the institution of country review meetings as a mechanism for regular and periodic review and implementation of the SNPA at national level. As part of the preparations for the Second United Nations Conference on the Least Developed Countries, it was decided to undertake an assessment of the arrangements for implementation, follow-up and monitoring of the SNPA, in particular the role played by consultative and aid groups and round-table meetings in aid co-ordination efforts in the LDCs during the 1980s, with a view to identifying areas for further improvement and elaborating recommendations for strengthening these arrangements during the 1990s, with the full co-operation of donors and the LDC Governments concerned.

(ii) The UNCTAD secretariat engaged Mr. Devendra Raj Panday and Mr. Maurice Williams as consultants to undertake this assessment. This document presents their study and their conclusions and recommendations. The assessment is based, inter alia, on extensive discussions with officials in LDC Governments, with the concerned lead agencies and donor officials, and with donor representatives in the field. The draft study of the consultants, containing their findings and preliminary conclusions and recommendations, was reviewed at an experts' meeting convened at Geneva on 18 January 1990, at which a number of high-level experts from LDCs and from donor countries, as well as representatives of UNDP, the World Bank and the International Monetary Fund, participated. The consultants then finalized their study taking into account the comments and suggestions of that meeting.

(iii) Within the framework of the project, Mr. Laoual Chafani and Mr. Alexis Twagirayezu also undertook field missions to some African LDCs and reported on their assessment of the arrangements for implementation, follow-up and monitoring of the SNPA in the countries visited by them.

(iv) The views expressed in this study are those of the authors and do not necessarily reflect the views of the UNCTAD secretariat or any other part of the United Nations system. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the secretariat of the United Nations concerning the legal status of any country, territory or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The classifications used are those of the authors or have been taken from reference documents.

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

1. Progress has been made in the co-ordination of aid since the 1981 United Nations Conference on the Least Developed Countries. Improving aid co-ordination has been accepted as a major responsibility by the World Bank, UNDP and the DAC bilateral donor countries. Over 80 per cent of the LDCs now have country review groups led by UNDP or the World Bank, and the preparation for and conduct of meetings of these groups have been greatly improved. Many LDC Governments and aid donors are also engaged in a variety of local co-ordination arrangements which are still evolving. However, the contribution of the co-ordination process in increasing the effectiveness of aid has yet to be fully realized.

2. Aid co-ordination has assumed special importance in support of stabilization and structural adjustment programmes set up as initial - although less than adequate - responses to the severe effects of the world trade recession on the LDC economies. The LDCs and their development partners have much catching up to do to overcome the losses and setbacks of the last decade. This will require adequate donor reponse, as well as greater commitment and capacity on the part of LDC Governments to implement appropriate policies and programmes.

3. This report on aid co-ordination and its recommendations address principally three salient deficiencies in the aid co-ordination process:

First, there is a need for the LDCs and their development partners to focus on better formulated development strategies covering a longer period than the current structural adjustment programmes, which have launched a number of important reforms but in a time frame and manner which is not well suited to the fundamental development needs of the LDCs. In a real sense the effectiveness of aid co-ordination cannot be divorced from the programme objectives which it serves;

Second, the very intensity and weight of donor-led co-ordination in support of donor-driven policy frameworks and programmes have tended to diminish the central role, and in some cases actually weakened, the capabilities of LDC Governments in their co-ordination and management of aid resources. It is true that some LDCs have not been able to handle aid well and that in the early stages of the economic crisis of the 1980s there may have been some justification for exceptional donor direction. However, it is now timely to begin to correct this imbalance and to redirect co-ordination and assistance in ways that build LDC capabilities to manage the totality of resources available to them more effectively - thereby putting them in a position to exercise their primary responsibility for aid co-ordination as part of national policy-making and development planning;

Third, major reforms are required in the donor agencies' development assistance programmes and practices, which as presently constituted are not effectively directed to building up the institutional and management capacities of the LDCs. Major reforms are also required to strengthen effectively the administrative capacity of LDCs to co-ordinate and implement programmes of development and assistance.

Improvement in aid co-ordination mechanisms

Recommendation 1

4. The country review process should be strengthened and continued into the 1990s as a principal instrument of relating aid to the development priorities of LDCs. LDCs which do not have regular country review groups should be encouraged to adopt this process.

5. While the present process is not perfect, there is no alternative to an organized dialogue for co-ordination. (Ref. paras. 124-129)

Recommendation 2

6. For LDCs with well formulated medium-term development programmes and funding requirements, the appropriate country review group - consultative group (CG) or round-table meeting (RTM) - should be held annually as far as possible in order to build and maintain momentum for development progress. (Ref. para. 128)

Recommendation 3

7. The World Bank and UNDP should continue to emphasize consultations in advance of country review meetings and to the extent practicable they should systematize their approaches to establish consistency of performance in this important area which is a key determinant for building consensus on the main issues and assuring the success of CGs and RT meetings.

8. Both the World Bank and UNDP have experimented with a number of approaches involving advance consultation and briefing of participants planning to attend country review meetings. These approaches have included "preview meetings", reviews with local co-ordinating groups, "sensitization missions", other visits to donor capitals, multi-donor meetings in Washington and a variety of informal consultations. Given the importance of the process, it would be useful to assess this experience and arrive at an understanding of the more effective and essential practices of prior consultation. (Ref. para. 142)

Recommendation 4

9. World Bank and UNDP-led country review groups should evolve towards a co-chairing approach where the chair would be shared by the senior representatives of the LDC Government and the international agencies. This would signal a politically important change of shared co-ordinating responsibility.

10. While the World Bank or UNDP is normally in the chair for the LDC presentation and review of performance, the LDC representative might usefully chair sessions concerning the improvement of donor practices and performance. Of particular importance would be the joint endorsement by the co-chairmen of the summary of the meeting detailing the reciprocal commitments of the LDC Government and donors, as well as tasks for further follow-up by the Government and local co-ordinating groups. This would greatly strengthen the prospects for more effective follow-up and monitoring, which is now acknowledged to be the weakest point of the country review co-ordinating process. (Ref. para. 145)

Recommendation 5

11. The conclusions of CGs and RTMs should be formulated more precisely in terms of the agreed reciprocal commitments of donors and LDC Government representatives.

12. Improvement of the conclusions of country review meetings would provide an essential basis for more effective follow-up, implementation and monitoring. (Ref. para. 187)

Recommendation 6

13. All principal donors - socialist, third world and OECD - should be brought into the LDC country review and aid co-ordinating process as active participants. (Ref. paras. 164-167)

Recommendation 7

14. Representatives of the local NGO community should be invited to attend CG and RT meetings, if only as observers.

15. NGO observers would be able to report back to the local NGO groups in their respective countries and, depending on the agenda of the country review, be able to make valuable contributions in such areas as rural development, poverty alleviation and social sector issues. World Bank internal guidelines suggest the possibility of such NGO participation, but reportedly to date no NGO representative has attended a Bank-led CG meeting. Several UNDP round tables have benefited from NGO participation. (Ref. para. 168)

Co-ordination groups in LDCs

Recommendation 8

16. Local country co-ordinating processes should establish linkages with the NGOs working in the country not only to avoid duplication of efforts but also to draw on the experience of NGOs working at the grass-roots level and with the under-privileged sections of the population so that their insights can be incorporated into related official policies and activities.

17. Local NGOs should be used more extensively in the delivery of programmes. To enhance their capabilities, they also need assistance in training their staff and field-workers. (Ref. paras. 169-170)

Recommendation 9

18. Each LDC should develop local co-ordinating group mechanisms as appropriate. Efforts should be made to develop a tiered structure with the local consulting group at the apex supported by sectoral, subsectoral and implementation-related groups.

19. The local co-ordinating groups should be the principal forums where donor policies, perceptions and responses are co-ordinated and agreements are reached with the Government on sectoral policies and programmes. Institutional and procedural matters of importance for improved project implementation should also be a subject of discussion at this level. (Ref. paras. 191-215)

Recommendation 10

20. A new framework and revised guidance are required for local co-ordinating groups to bring the LDC Government concerned more fully into the co-ordinating process with local donor representatives, rather than the present structure of "donor-only" local co-ordinating groups now found in many LDC capitals.

21. It is true that World Bank and UNDP representatives chair CGs or RTMs, usually held in Paris or Geneva, a practice which grew out of the fund-raising functions of these meetings. However, there is every reason not to follow this pattern in the "in-LDC" local co-ordinating groups and also to de-emphasize the "donor-only" exclusivity of many of these groups. It should be common practice to encourage, at a minimum, joint Government-agency leadership in co-chairing formally structured local co-ordinating groups. This recommendation does not seek to diminish the importance of donor co-ordination in the exchange of information and experience, but rather to gradually build in stronger LDC participation and central leadership in the co-ordinating process, especially at the local country level. (Ref. para. 215)

Donor response and practices

Recommendation 11

22. Adequate levels of fast-disbursing programme assistance should be provided, to the maximum extent possible, in line with the World Bank's procedures for simplified procurement and disbursement procedures adopted as part of Bank-supported co-financing of the Special Programme of Assistance for Africa (SPA). The experience gained from this programme in co-financing, as well as parallel financing, and administration should be extended to LDCs in the Asian-Pacific region. (Ref. para. 153)

Recommendation 12

23. Development assistance agencies should make a concerted effort to formulate and adopt simplified accounting procedures for the aid provided to LDCs.

24. The question of overly complex donor procedures in accounting for aid has come up frequently at country review meetings, without meeting an adequate response from donors. Present practices adversely affect LDCs' limited management capabilities. It should be possible to devise simplified accounting procedures which fully protect aid expenditures to the last penny. Of course, donors have their own systems, but when the issue is the effectiveness of their own development assistance, donors should show more flexibility in undertaking reform. Donor groups have shown great interest in LDC administrative reforms, and they should seize the opportunity to demonstrate their own capacity for reform. (Ref. paras. 161, 249)

Recommendation 13

25. Efforts should be made by donors to avoid parallel systems of targeting, programming and co-ordinating the allocation of resources. The work of the various agencies and the resulting programmes and targets should be within the framework of LDC plans and priorities.

26. The LDCs have their periodic plans, namely annual plans and budgets and also long-term targets for food, shelter, health, education, children, women etc., which they pursue. The donors too have their individual or collective global policy framework and other international objectives they seek to implement. This situation has created a series of competing guidelines for aid management and development programming which should be avoided as far as possible.

27. The country review process should aim to prevent the commercial interests of donors influencing project selection as much as it should be alert to malpractices within the recipient country, since both contribute to inefficiency and cost-escalation in projects, among other things. (Ref. paras. 249-251)

Recommendation 14

28. The donors and international agencies should investigate the efficiency of their aid administration systems, including the adequacy of the authority delegated to field missions, and take pressure off their staffs to meet programme levels or disbursement targets, and they should rather emphasize the contribution to aid co-ordination and effectiveness of resource use. (Ref. paras. 233, 253)

Recommendation 15

29. The country review process should discuss and encourage untying of aid to LDCs across the board.

30. The LDCs will be better exposed to the idea of the market system and free competition if they do not have to cope with tied procurement practices. The donors will want to pursue commercial interests as a legitimate quest. This aspect is, in fact, highlighted in many donor countries to galvanize public opinion in support of increased aid budgets. However, at least for LDCs, donors should pursue this interest through enlarged scope for competition in international bidding. (Ref. para. 224)

Recommendation 16

31. Training opportunities should be provided for the personnel of firms and organizations in the private sector in order to upgrade local capabilities.

32. One irony of the 1980s is that while the donors emphasized the growth of the private sector, most of the aid flows went through the Governments of LDCs. This imperative will always be there. Some breakthrough may, however, be possible in channelling appropriate technical assistance to the private sector as well. (Ref. para. 260)

Adjustment with a difference

Recommendation 17

33. The World Bank and IMF should increase their efforts to tailor structural adjustment measures to the unique and special conditions of LDCs, collectively and individually.

34. There is also a need for a separate evaluation of structural adjustment programmes in LDCs. (Ref. paras. 234-235)

Recommendation 18

35. The linkages between macro-economic planning and sectoral strategies need to be greatly strengthened, both in LDC Governments and in the international agencies that seek to advise LDCs on their planning and budgeting processes.

36. World Bank sectoral studies must take better account of macro-economic policies if they are to provide useful guidance for operationally relevant sectoral strategies and investment programmes in the LDCs. The United Nations specialized agencies, also, need to strengthen their advisory services to better integrate their project and technical work with relevant policy considerations.

37. Improved sectoral policy and technical assistance from the international agencies would greatly help the LDCs to formulate structurally sound and operationally relevant sectoral strategies, which would then provide a better basis for aid co-ordination and investment. (Ref. para. 235)

Recommendation 19

38. Sectoral frameworks, including sectoral master plans, should be used more widely as a tool for aid co-ordination.

39. This may not be possible for all sectors, but the utility of this approach is demonstrated in such areas as forestry, where the activity of one donor can be unwittingly damaging to the objectives of another. This approach will be helpful in addressing such important multisectoral issues as population, environment, etc. (Ref. para. 235)

Recommendation 20

40. LDC capacity for macro-economic analysis and planning should be strengthened and, as this process progresses, LDC Governments should prepare their own policy framework plans on a medium-term five-year rolling projection of growth, investment, balance of payments, budgetary and external resource gaps, and related reforms. This plan, based on LDC priorities and experience, could then be discussed with international agencies and donors in appropriate forums. There may also be a need to prepare the five-year rolling framework within a broad and long-term perspective plan.

41. Most current structural adjustment programmes have been flawed by the practice of international agencies of "planning from the outside" for LDC programmes on a relatively short-term basis. If substantive co-ordination is to be effective, LDC Governments must themselves take the lead in formulating their own medium-term development policies and programmes. (Ref. paras. 237, 268)

Recommendation 21

42. Full support should be given to LDCs and the World Bank to carry out "structural adjustment with a difference" as proposed in the recent World Bank report "Sub-Saharan Africa: from Crisis to Sustainable Growth". (Ref. para. 238)

Recommendation 22

43. In their own medium-term development progammes, LDCs will want to satisfy themselves and their assistance partners that their planning includes reforms that are adequate in relation to the scale and nature of the investment and aid proposed.

44. The LDC's proposed budgetary, administrative and institutional reforms would constitute the LDC Government's own structural adjustment programme, appropriately specified and phased to its current, and progressively strengthening, implementation capacities. This will also reinforce the point that reforms are called for by themselves in many LDCs. The Governments' adoption of this approach will ensure continuity irrespective of aid requirements. (Ref. paras. 239, 261)

Recommendation 23

45. Country review groups supporting LDC-own medium-term policy framework plans should take a comprehensive approach to the financial flows needed, encompassing in their review whatever adjustments in the terms of outstanding debt, both that of the Paris Club and that of multilateral agencies, appear necessary to ensure the financial integrity and achievement of mutually agreed LDC development programmes. (Ref. paras. 97-101, 240)

Recommendation 24

46. On the basis of each LDC's commitment to its own policy framework plan with its own appropriately phased structural reform programme, donors would undertake to commit adequate financing for the plan in its medium-term framework of phased implementation and to respect the discipline of the plan.

47. This reciprocal undertaking of mutual and monitorable commitments would be the basis of a renewed compact between the LDC Government and its development assistance partners. (Ref. para. 239)

Monitoring performance

Recommendation 25

48. Progress in meeting reciprocal commitments under the LDC-own policy framework plan should be monitored jointly by each LDC Government and the World Bank or UNDP as an ongoing process and reviewed at country review meetings.

49. The monitoring should focus on progress in meeting specific donor and LDC commitments. Where shortfalls in performance persist, there should be an in-depth monitoring review every two years of the constraints encountered and proposed remedial action for overcoming them. The financial implications of any shortfalls in performance should be fully considered by the country review group. (Ref. para. 253)

Recommendation 26

50. UNCTAD's role in monitoring the implementation of special measures for LDCs should be linked with monitoring at the country level, and it should include UNCTAD representation at country review meetings. (Ref. para. 253)

Recommendation 27

51. UNCTAD should, every few years, conduct a global review of the overall progress of special measures common to the LDC group of countries as a whole.

52. The agenda for UNCTAD-conducted reviews would encompass the experience and lessons learned from formulating and implementing LDC-own policy framework plans, the progress of international agencies and donors in adjusting their assistance programme modalities to the special needs of LDCs, and extent to which United Nations agencies and donors are directing their assistance activities within the framework of LDC-own policy frameworks and priorities and the programme of action adopted by the Second United Nations Conference on Least Developed Countries. (Ref. para. 259).

LDC administration and co-ordination

Recommendation 28

53. The focal point for aid co-ordination in LDC Governments should be clearly identified, vested with adequate authority and have its staff strengthened as necessary.

54. The location of this unit is an issue in some LDCs. The problem arises from the perception that every task on aid co-ordination has to be done in one office. This is not so. The focal point should be engaged in general administration of aid programmes and in servicing the country review forums on behalf of the Government. Long-term strategic planning for aid and other similar functions are normally performed in other units and agencies of government. Once this is realized, the location of the focal point may not be an issue. (Ref. para. 265)

Recommendation 29

55. Administrative reform should be made an integral element of the country review process.

56. LDCs have been trying to improve the efficiency of the public administrative system. Their attempts have not met with success, partly because of the ad hoc nature of the efforts of the Governments, as well as of the donors. This issue should have as much emphasis as the question of appropriate economic policy frameworks. Administrative reform frameworks can then be designed with appropriate sequential linkages.

57. Details of needed reforms in organizational structure, personnel management, including training and incentive mechanisms, planning, budgeting and monitoring systems, and other procedures have been studied in almost all LDCs. The resulting recommendations are available for consideration and adoption. In LDCs where issues and priority areas of reform are not clear, fresh studies may be commissioned in the framework of reoriented technical assistance, as recommended in this report. (Ref. para. 261)

Recommendation 30

58. As a part of administrative reform, the responsibilities of the national planning agency and the finance ministry should be firmly delineated and made complementary to one another.

59. This is a complex problem in many LDCs, and it has no easy solution. In smaller LDCs, it may even be advisable to merge the two functions within one organization. In others, it will be necessary to build capabilities for medium-term planning and intersectoral co-ordination in one agency, namely the national planning agency, and capabilities for current financial management and annual budgetary decisions in the other. Whatever the solution, further technical assistance for upgrading planning, budgeting and monitoring skills in LDCs should be based on a clear designation of responsibilities on which the anticipated capabilities can be built. (Ref. para. 266)

Recommendation 31

60. Revision of the remuneration scale in the civil service of LDCs should be a key agenda of administrative reform. This issue should be reviewed in conjunction, among other things, with the possible need for reducing the size of the public service in some countries.

61. In personnel management, a key reason for lack of motivation and loss of qualified staff from Government - and the country - is the extremely low pay of civil servants in most LDCs in relation not only to their opportunity cost but also to the cost of living. Highly paid expatriates coming to a country to do a job which could have been done by nationals if there were adequate incentives for them is an irony of development co-operation that should now be properly addressed. Other conditions of service should also be reformed to provide better working conditions and incentives for increased output. (Ref. paras. 277, 280)

Technical assistance to build LDC capacity

Recommendation 32

62. A thorough review should be made by development assistance agencies with a view to reorienting technical assistance to its original purpose of building LDC capacities - technical, managerial and institutional.

63. It is widely acknowledged that technical assistance as presently directed has not been effective in building technical, managerial and institutional capacities in LDCs. Technical assistance has become too donor-driven rather than recipient-led. Redirecting technical assistance programmes for more effective capacity-building in LDCs will involve a number of reforms in aid agency practices, among other things in terms of phasing assistance to LDC co-ordinated management of the process from identification of need, selection criteria, assuring LDC direction of projects, integrating training with advisory services, entering technical assistance expenditures into the accounts of LDC Governments, and removing disincentives to the use of qualified LDC nationals as executing agents for technical assistance projects. In other words, donors of technical assistance should start putting LDC Governments at the centre of the aid co-ordination and management process. (Ref. para. 276)

Recommendation 33

64. LDC Governments and donors should adopt a framework for technical assistance policy and programmes paralleling in importance structural adjustment programmes.

65. In order to improve the capacity of LDCs to play a central role in aid co-ordination and management, the overall institutional capacity of the Government has to be improved. The institutional requirements of aid co-ordination cannot be isolated from the overall improvements that are necessary in the administrative system of many LDCs and from the role of technical assistance in this task. (Ref. para. 282)

Recommendation 34

66. There should be a greater degree of technical co-operation among the developing countries, with the assistance and support of developed countries, in the management of aid co-ordination.

67. Experience in aid co-ordination can often be shared more readily and with greater relevance among the developing countries than between the experts of the developed countries and the LDCs. There are developing countries even outside the LDC grouping which have a long tradition and experience in aid co-ordination and consultative group arrangements. Officials of LDCs should be provided with opportunities to learn and adapt from these experiences. A seminar should be organized jointly by UNCTAD, UNDP, and the World Bank for participants from LDCs and other developing countries to share information, insights and experience of aid co-ordination.

I. INTRODUCTION

A. Background and objective

68. This study of aid co-ordination and its effectiveness was commissioned by the United Nations Conference on Trade and Development (UNCTAD) as part of preparations for the Second United Nations Conference on the Least Developed Countries (LDCs) in September 1990. The objective is to assess the effectiveness of arrangements for implementation of the Substantial New Programme of Action (SNPA) adopted by the earlier 1981 United Nations Conference on LDCs. 1/ A specific focus of the study is on the SNPA-initiated aid co-ordinating process of country review groups with a view to further strengthening these arrangements.

69. Heightened concern for the LDCs dates back to the early 1970s when UNCTAD took a leading role in drawing world attention to the need of these countries for special measures to enable them to develop their economies and provide an internationally acceptable standard of living for their people. The concept of a category of especially disadvantaged "least developed countries" has been adopted by the world community, and the importance of directing aid policies and programmes to provide special assistance to these countries has gained widespread international support.

70. A significant innovative feature of the SNPA was to institutionalize the preparation of well formulated LDC development programmes and related assistance requirements as a means for mobilizing and co-ordinating resources for their realization. Elements of the co-ordination process launched by the SNPA in 1981 included:

- Providing special assistance for LDCs to elaborate their national plans, policies, programmes and projects in a sequence of priorities and aid requirements;

- Encouraging the formation of country review groups to mobilize and co-ordinate assistance in support of LDC priorities;

- Following up implementation and monitoring donor assistance and LDC performance in meeting mutually agreed objectives;

- Building up LDC capabilities to manage the entire process of planning priorities, formulating policies and projects, co-ordinating domestic and external resources, and implementing the resulting programmes - thereby increasing their capacity for expanded development and related development assistance efforts.

71. The SNPA encouraged LDC Governments to hold individual country review meetings in their own capitals, or to make other arrangements, to discuss aid requirements with the donor community - in most cases with the support of the United Nations Development Programme (UNDP). The World Bank-led review process, namely the consultative group (CG) arrangement, was also expanded and intensified for some LDCs. These country meetings provided an important mechanism for periodic review and implementation of the SNPA. The hoped-for result of this country review co-ordinating process was to attain a more accelerated pace of development by the LDCs than otherwise would have been possible.

72. The concept of the SNPA is both imaginative and bold; it seeks to direct development and assistance efforts to areas where human needs are greatest and where constraints are most severe. Only a concerted and well co-ordinated international effort in co-operation with the LDCs could prove effective in tackling such a challenge.

B. Limited progress to date

73. The ultimate success of "LDCs" as a concept and a strategy for international co-operation should take the form of the graduation of the 42 least developed countries to a higher and sustainable level of development. This is not happening yet. These countries need more attention and support from the international community and, indeed, greater commitment to development from their own Governments.

74. The Second United Nations Conference on the Least Developed Countries is taking place at a time when most countries in this "group of 42" have reason to be dissatisfied with the state of their economies. The economic performance of this group of countries has not only been far short of the target set when the SNPA was adopted in 1981 but has also remained in many respects below the performance recorded in the 1970s. The SNPA anticipated an average rate of growth in GDP of 7.2 per cent per year for this group of countries. Over the period 1980-1987, these countries managed to achieve an average growth rate of only 2.3 per cent per year, against a performance of 3.4 per cent in the preceding decade. The shortfall has been pervasive. In agriculture, the growth in output was only 1.6 per cent a year during the period 1980-1988, as against the target of 4 per cent for the 1980s. Per capita food production actually declined at a rate of about 0.8 per cent a year. In manufacturing, the SNPA anticipated a growth rate in manufacturing value added of 9 per cent per year; the realized rate during the 1980-1987 period averaged less than 3 per cent. Twenty-three LDCs experienced negative growth rates in per capita income during the period 1980-1987. Social

conditions in most countries have improved only marginally if at all. A very disquieting trend has been the increase in poverty, with the distribution of income and wealth becoming more unequal in a majority of LDCs, though precise data are lacking in many cases.

75. There are many reasons for this unacceptably poor economic performance in countries that need rapid growth and steady transformation of their economies, including the establishment of a proper socio-economic setting, for poverty alleviation. Among the external factors, the dramatic fall in the price of many primary commodities and the deterioration in terms of trade of LDCs are of great significance. Internally, many LDCs have adopted major policy reform measures to revitalize their economies, but policy deficiencies in these countries have also been responsible for the disappointing performance in the 1980s. The mobilization of domestic resources has been inadequate in many respects. Saving rates continued to be negative in more than one third of LDCs surveyed during the period 1980-1987. In sub-Saharan Africa, which includes many LDCs, the domestic saving rate was estimated in 1987 to be about 4.9 per cent. In many cases, the direction of investment has also been deficient. There have been increasing expenditures on non-productive sectors, including military expenditures, in many LDCs. Institutional weaknesses and the lack of consistent political leadership in support of development and policy reforms also need to be recognized.

76. However, some LDCs have recorded a better performance. For instance, Botswana, Malawi, and Togo recorded saving rates exceeding 10 per cent annually during the period in question, indicating that there is room for better performance in this respect in many other LDCs. Botswana, Bhutan and Maldives have also shown encouraging results in basic needs fulfilment, as well as economic performance.

77. From the standpoint of LDCs, perhaps the most important shortfall in the SNPA target has been in the flow of official development assistance (ODA). A number of donors have provided ODA to LDCs equivalent to more than 0.15 per cent of their GNP, but many others have not improved their performance. As a percentage of LDCs' GDP, total external flows declined from 13.3 per cent in 1980 to 12.8 per cent in 1987. The LDCs are now more dependent upon official development assistance, with 99.8 per cent of their total net external resource flows coming from this source, compared to 81.9 per cent in 1980. In this respect, it is encouraging that ODA flows to LDCs have been increasing steadily since 1985. LDCs have benefited as a group from the shift in the ODA of the countries of the Development Assistance Committee (DAC) towards sub-Saharan Africa as against an estimated decline in real terms of 2 per cent in DAC ODA to all developing countries. But in view of the flow of non-concessional resources and the fact that the LDCs cannot afford such loans, the role of ODA remains crucial. There are other considerations too. One of the most important is aid co-ordination to ensure that available resources are utilized effectively.

78. The target for ODA cannot be assessed in terms of compliance except in the context of the uses to which such assistance is meant to be put. While the needs of different LDCs vary because of the divergent resource endowments and other socio-economic conditions in this heterogeneous group of countries, there is no evidence or guarantee that the volume of aid, by itself, is instrumental in attaining a higher rate of growth or ameliorating poverty. Aid does not necessarily lead to an increase even in the rate of investment.

Aid co-ordination, which may be defined as an instrument for effecting efficient aid utilization - measured in terms of contribution to the achievement of agreed objectives of development - assumes special importance from this standpoint.

79. In order to facilitate informed discussion among the parties concerned, this report analyses the framework of aid co-ordination that is in place now and identifies areas for improvement with specific recommendations. It is important that the framework for future co-operation between LDCs and their development partners be derived from a factual base of understanding which does not skirt the real problems and the hard choices on both sides.

C. The co-ordination problem

80. Aid co-ordination is now a widely accepted concept. It emanates from a shared understanding that stronger collective efforts by recipient countries and their development partners are required to formulate and implement well designed investment and expenditure programmes. By recognizing the importance of aid co-ordination, the donors now implicitly accept the need for discipline in directing their aid programmes to mutually agreed LDC priorities. The era in which all donors approached their assistance programme in LDCs on a one-to-one bilateral basis should also disappear for co-ordination to have its impact. The LDCs, which have become more aid-dependent than ever before, are also expected to recognize that it is in their interest to harmonize their policies and programmes with the perceptions of important donors with regard to the major problems and issues facing their economies. Co-ordination along these lines contributes to aid effectiveness. But it is important to recognize that aid effectiveness is related to many other variables affecting the progress of development in LDCs.

81. An ideal framework for aid co-ordination would presume that the development programme of a given LDC is a "grand project" in which its development partners are participating in a co-financing exercise in the interest of efficient utlilization of resources, including domestic resources of the recipient country, towards the fulfilment of common and shared objectives. The real world, however, is such that while there is positive and increasing understanding between the LDCs and the donor community in many respects, there are divergent perceptions and imperatives that need to be addressed while making efforts for improvements in the future. A particularly difficult task is to harmonize the interests and concerns of different actors, who may agree on the overall objectives of co-ordination - namely, efficient resource utilization - but emphasize different and opposite elements of the process.

82. All recipient LDCs definitely want co-ordination to result in increased flows of development assistance, but the nature of their political processes and other cultural and historical factors in LDCs may make it difficult to take decisions in conformity with such a commitment. In the donor community, there may be an interest in promoting a certain economic philosophy in the name of aid co-ordination. On the other hand, for some donors, aid co-ordination can be an instrument for getting a "like-minded group" together to emphasize the priority areas of development as they see it or to be tough vis-à-vis a recipient LDC's unacceptable policies and actions, including, for example, corruption and inefficiency in government. For still others, it may be an instrument of disciplining the donors themselves who rely on their own preferences and priorities and push projects that do not correspond

SPA meetings of 20 donor agencies have been remarkably successful in co-ordinating some $6.4 billion of programme assistance for import financing in a framework of combined Bank-administered and co-ordinated procurement for the countries concerned during the period 1988-1990. This co-ordinating process has achieved a large measure of commonality and simplification of procurement and disbursement procedures covering approximately 50 per cent of the aid for the 16 LDCs under the SPA. Adequate fast-disbursing programme assistance should continue to be provided under the simplified World Bank procurement and disbursement procedures, and the experience gained in co-financing and parallel financing should be extended to Asian and Pacific LDCs.

154. Special meetings are also arranged at the country aid review groups or a similar level to discuss important issues in depth. A Special Donors' Meeting to review the Sudan's Emergency Flood Reconstruction Programme was held in Paris in 1988. A Special Meeting of the Consultative Group for Somalia was held in Paris in 1985 to review Somalia's adjustment and reform programme and to discuss the financing of the balance of payments that year. A regular RTM meeting of the lenders of financing for the Structural Adjustment Programme and Non-Project Assistance for Togo was convened in Geneva in 1988. Bangladesh too has had several meetings of this nature, both inside and outside the country. A "working-level" meeting on poverty alleviation and rural employment was held for Bangladesh in Bonn in 1986. Special meetings of the Bangladesh Aid Group (CG) itself have been convened in the past to discuss food aid, and an Inter-Agency Group on Disaster meets regularly. There are other examples of such meetings. Without going into them further, one can see the complex nature of the co-ordination process that is evolving.

155. If information and communication are the basis of aid co-ordination, the review dialogue and the preparations for it have facilitated these tasks. The preparatory process outlined above indicates that the donors are better informed and the development programmes are more transparent. Among other things, this transparency and the dialogue which it guides imposes a special burden of accountability on the donors as well. It may be difficult for them to plead ignorance and push projects that overlap, contradict or may otherwise be counter-productive to what the review process is meant to achieve in the interest of the LDCs. This is not to suggest, however, that the donors no longer indulge in such individualistic behaviour.

156. In the RTMs and CGs themselves, the general consensus is that the meetings tend to be too formal, and the direct outcome is often perceived to be less than hoped for. LDCs regard the reviews as a medium for obtaining concrete pledges of financial assistance from their partners. To that extent, the CG proceedings appear meaningful to LDCs. For the RTM countries also, the meeting is evolving towards a CG format, and the concerned LDCs look forward to a process where RTMs yield specific, concrete and increased pledges of resources in their favour. Indeed, this has been happening in some countries.

157. As regards the potential of country reviews as a forum for harmonizing policies, however, the formal nature of CG and RTM formats, where set speeches take precedence over substantive discussions, inhibits dialogue and discussions. Even when substantive subjects are taken up, there is limited scope for free exchange of views, constrained as these meetings are by the standards of a polite diplomatic community. In addition, there is a tendency for the donors to remain, collectively, on one side, and the Government on the

to commonly agreed objectives. Effectiveness of co-ordination can, thus, be judged differently by LDCs and donors in accordance with their respective concerns.

83. More objectively, aid co-ordination also assumes great importance because of the sheer number of donors and the variety of financing instruments and facilities with which a recipient LDC and its development partners have to cope. Whatever their limitations or compulsions, the donors and the recipient at least want to avoid duplication and overlapping of programmes they help implement. Similarly, they want to avoid conflicting policies and competing "conditionalities", at least in so far as this does not conflict with their own interests.

84. At the operational level, aid co-ordination can also be perceived as a mechanism for streamlining procedures - of the donors and the recipient alike - and speeding up project implementation and aid disbursements. This is an important concern in all LDCs. However, from the perspective of aid co-ordination, this issue can be fruitfully addressed only if there is agreement on a development strategy and economic policies that are being followed and on the prioritization of projects that are identified for financing. Co-ordination becomes a secondary issue if what is being co-ordinated is not clear or is debatable. Given the complexity of relations involved, clarity on the objective of co-ordination and on the criteria for ascertaining its effectiveness may itself emerge from the dialogue inherent in the co-ordination process.

85. Aid co-ordination also has to embrace the use of domestic as well as aid resources. One potential benefit of aid co-ordination is that it can eventually influence all parties concerned into understanding that there is no economic difference between domestic resources and external assistance. Many participants in the process, including the LDC Governments, have yet to realize that the opportunity cost of domestic and external resources is the same. Without such realization, aid co-ordination cannot be effective.

86. When the SNPA was adopted in 1981, there was a consensus on various national and international measures that needed to be pursued by the LDCs and their development partners. The SNPA called for review meetings at the national, regional and global levels. The idea was to ensure that a well linked chain of consultative instruments would be available to monitor, evaluate and correct policies and programmes implemented by the LDCs, as well as by the donors, in support of the SNPA objectives. If this could be done, commitments themselves could be monitored and adjustments in policies sought where distortions and gaps were located.

87. In the complex process of economic development in the LDCs, this monitoring could be a safeguard against confusion as to where the onus for lack of results or misallocation of resoures lay. In too many LDCs, there is a danger that weaknesses in domestic policies and institutions, including inadequate commitment to development, are obscured by the acts of omissions and commissions of the donors. One must add that the donors too may have a tendency to put blame on the inefficiency and various other pathologies of a "third world society", even when they themselves make mistakes and, thus, are hard-pressed to justify the use of resources for which they do not have enough to show in terms of sustainable impact. An attempt to improve aid co-ordination mechanisms has to look into this aspect of international co-operation as well.

II. CHANGING POLICY AND PROGRAMME FOCUS OF CO-ORDINATION

A. Crisis of the 1980s - impact on LDC programmes

88. The severity of the economic crisis which afflicted the world economy after 1982 called into question many of the earlier development assumptions. The least developed countries suffered severe losses of export earnings as a result of depressed international commodity markets and adverse terms of trade. The results were enormous external payments deficits and economic dislocations, including a substantial drop in per capita income for many LDCs and comparable losses in government revenues, investment and consumption. The foreign exchange constraint adversely affected the capability of the LDCs to use their productive capacity and brought their economic growth to a virtual standstill.

89. Along with weak export markets, LDCs have faced other fundamental problems: recurrent drought in Africa, flooding in several of the Asian LDCs, rapidly growing population and chronic food shortages in most of the LDCs, weak management of fiscal and investment programmes and a relative loss of market shares for their commodity exports.

90. Thus the economic crisis of the 1980s starkly confirmed the weakness and vulnerability of the least developed countries, a vulnerability far greater than that of any other group of countries, for they had limited capacity to manage and protect themselves from such shocks. This vulnerability and its consequences for the people of the LDCs re-enforced the conclusions of the SNPA that internationally concerted and well co-ordinated measures were essential to assist them.

91. Initially in the early 1980s it was assumed by many Governments and international financing institutions that the depressed market for most commodities would be short-lived and that a cyclical turn-around in prices could be anticipated. On this assumption a number of developing countries, including many of the African LDCs, borrowed externally to finance essential imports and avoid politically disruptive cutbacks in public investment programmes. Many turned to the International Monetary Fund (IMF) to help them stabilize their external payments position.

92. However, during the course of the 1980s, as recovery in most commodity markets proved illusive, it became necessary to revise fundamentally most of the individual LDC development plans and policies in view of the dramatic changes in the world economy. In these circumstances, donor and international financing institutions urged LDCs to adopt stabilization and structural adjustment programmes as the best means to adapt to changing international markets with the aid resources available.

B. Stabilization policies

93. LDCs resorted heavily to the use of IMF resources to cover the widening balance-of-payments deficits during the early 1980s. Overall use of IMF credits by low-income countries exceeded $4 billion, most of which was accounted for by 10 African LDCs who drew the equivalent of 3 to 4 times their actual IMF quotas during the period.

participation has to do with the involvement of all major donors as a group. The third element is the incorporation into the process of the NGOs, which are playing an increasingly important role in many LDCs.

163. The participation of concerned government agencies seems very inadequate in many LDCs. The CGs and RTMs are perceived as mostly the responsibility of the agency in the Government which is in charge of external resources. Where this function is not the responsibility of the national planning agency, even this important office is almost left out of the process. Alternatively, the situation may be like that in Samoa, where the Planning Department takes the lead in preparing documentation for RTMs, while the Treasury, which is largely responsible for external resource mobilization, functions independently of this process. In Lesotho it is the Planning Ministry which is responsible for documentation and aid mobilization, while the Treasury's formulation of the operating budget is not a part of the planning process. In the Niger, the Planning Ministry is responsible for the preparation of documents, while the Ministry of Foreign Affairs and Co-operation is in charge of the mobilization of external resources. However, in Guinea the process is centralized, with one department within the Ministry for Planning and International Co-operation responsible for both documentation and resource mobilization.

164. The participation of donors varies from country to country depending upon the composition of the donor community, which is related to the history as well as the structure of foreign policy of a given LDC. The socialist countries, which play an important role as donors in many LDCs, are usually not involved in the co-ordination process. Some of them participated in earlier RTMs, but the number of participants has become more limited under UNDP's new format. It is not clear whether and how the socialist donor countries fit into such exercises, especially in view of the emphasis on macro-economic policies that may not interest such donors. Their aid programmes remain distinct and separate from what goes on in the rest of the aid dialogue and external assistance management. Yet there seems to be a natural basis for aid co-ordination, in some cases arising from the sectoral specialization of some socialist countries. Even then, one has to admit that there is a gap in aid co-ordination when, as in the Lao People's Democratic Republic, 50 per cent of aid flows come from what is there called "non-convertible currency countries" and such socialist donors are left out of the co-ordination process. In the case of Guinea, the USSR, which is one of the most important donors to this country, did not participate in the consultative group meeting held in 1987.

165. The Government of the Lao People's Democratic Republic and some members of the donor community take satisfaction from the fact that there is de facto co-ordination between the "convertible currency area" and "non-convertible currency area" donors. The co-ordination arises from natural specialization, where "Western" donors do not wish, for example, to become involved in heavy infrastructure, while the socialist countries do not usually finance social sectors. This is not always the case, however. There are examples of socialist countries assisting an LDC in sectors like agriculture and health, where many other donors are also involved. The two groups of donors, those participating in the country reviews and others that do not, work virtually in isolation from one another. The only positive sign concerns the practice in some cases where, due to a personal rapport, the representatives of such donors in a LDC capital may occasionally meet to share information.

94. IMF assistance was tightly conditioned on LDC Governments meeting a set of policy objectives aimed at remedying the external payments deficit by policy reforms to change the structure of domestic production and demand. While the mix of individual country programmes differed, IMF conditions have usually included:

- Restraints on domestic credit and money supply;

- Reduction of government deficits, particularly by cuts in subsidies and the size of the civil service;

- Adjustment of key prices, including exchange rates and interest rates.

95. Targets to meet these conditions were packaged in stabilization programmes typically financed by 12-18 month IMF stand-by credits at market-related interest rates. They facilitated close monitoring of country fiscal and monetary management by the Fund. However, there was a basic mismatch between the Fund's short-term financing and analytical time frame and the LDCs' fundamental long-term development problems. After 1985, low-income countries found themselves providing net repayments to IMF.

96. In order to deal with this problem, IMF established the Structural Adjustment Facility (SAF) and, additionally, an Enhanced Structural Adjustment Facility (ESAF). This enabled IMF to extend somewhat longer-term concessional credits to low-income countries, in support of three-year adjustment programmes. The IMF policy framework for developing countries has gained wide support from creditor Governments and institutions, which consider an LDC stabilization agreement with IMF as a prerequisite for debt rescheduling and often for additional aid.

C. International debt management régime

97. The sharp decline in export earnings in the early 1980s left many African LDCs with unmanageable debt service burdens, and by 1987 their position had become desperate. Export earnings were lower than in any year since 1978, and real living standards had fallen to the level of the early 1970s. Net assistance flows were positive only after taking into account the heavy volume of successive rescheduling of debt owed.

98. In the past few years, major creditor Governments have agreed to a "menu" of options for easing the burden of LDC outstanding debt, and some have taken steps to write off a portion of outstanding loans, but the actions taken to date have done little more than keep the stock of debt from rising further while providing only a small amount of relief on actual debt servicing. In addition, LDC government officials spend too much time in repeated rescheduling negotiations which, given the diversity of approaches among creditors, have become more complex.

99. Even the rescheduling of bilateral debt on terms which would ease the burden more fundamentally would only provide a partial solution, since a large part of the total external debt of LDCs is owed to IMF, the World Bank and regional development banks, and this debt, by conventional practice, is not rescheduled. Nor is there any solution to the massive arrears owed IMF by several LDCs, which under current practice blocks any debt rescheduling and access to World Bank assistance.

100. The debt management régime of the Paris and London Clubs is itself a form of financial policy framework for indebted LDCs, directed toward short-term financial policies which improve prospects for servicing debt with a minimum outlay of new funding. The "short leash" of frequent rescheduling of debt by creditors is intended as a means of maintaining close surveillance of the policies of indebted LDCs, but the process of handling debt reviews seperately from aid reviews for LDCs is increasingly incoherent.

101. There are conflicting interests within industrial countries between their official creditor agencies and their aid agencies. Co-ordination between these two groups - even in the same Government - is often poor. Generally creditor agencies, as well as IMF, prefer to look to World Bank-led donor groups for mobilization of aid financing for debt relief.

D. Policy-based structural adjustment programmes

102. In the early 1980s, the World Bank launched a special programme of adjustment lending. Its objective has been to help developing countries adjust to external shocks of recession while creating conditions for restoring growth. World Bank structural adjustment programmes (SAPs) provided financing on IDA terms in support of macro-policy reforms in the interrelated areas of trade, mobilization and more efficient use of resources, and institutional reforms. This has meant restructuring government controls and public enterprises in favour of greater market efficiency. Bank adjustment lending also aims at re-ordering investment priorities and improving efficiency in key productive sectors, in particular agriculture and industry.

103. This World Bank initiative provided an important medium-term dimension to the stabilization policy frameworks of IMF. In the period 1981-1988, some 17 LDCs undertaking major structural adjustment programmes benefited from World Bank structural adjustment loans amounting to $2.2 billion.

104. In the mid-1980s there was a convergence of views among many LDC Governments on the need for comprehensive structural reform of their economies in order to change their patterns of investment and to restructure production for import saving and diversification of exports. The reform movement was given a strong impetus for African LDCs by the special session of the United Nations General Assembly in 1986, which adopted the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 (UN-PAAERD). An outstanding conclusion of UN-PAAERD was acknowledgement by African Governments, including most of the 27 African LDCs, that past development strategies should be redirected in favour of comprehensive policy reforms and structural adjustment.

105. Most LDCs, both African and Asian, have adopted structural adjustment programmes and embarked on comprehensive economic reforms with the assistance of the World Bank, IMF and UNDP. Most are undertaking such reforms in spite of the political difficulties encountered as a result of the continuing decline in their per capita incomes and investment. The reforms include de-emphasizing the role of public enterprises through the dual approach of improved financial and management practices and divestiture to the private sector. The LDCs are also reforming key economic policy incentives, inter alia through substantial devaluation of their currencies, reduction of subsidies and decreases in government spending to control inflation, and efforts to liberalize their trade régime.

106. Thus, the global economic crisis of the 1980s - in particular the recession in the industrial countries and the collapse of most commodity prices - led to the adoption of structural adjustment programmes as the central framework on which the co-ordination arrangements of the SNPA for country reviews would focus. And country reviews and co-ordination have become major aspects of development assistance in the 1980s.

III. CO-ORDINATION SYSTEMS AND AGENCIES

A. Co-ordinating role of the United Nations and UNDP

107. United Nations economic agencies, and in particular UNDP, are centrally positioned to play an important role in assisting the LDCs to improve the co-ordination and effectiveness of aid in support of development. Among their advantages are:

- The universality of the United Nations and the political and ideological neutrality of United Nations agencies;
- The significant field staff presence in all of the LDCs;
- UNDP's established system of central funding, country programming and co-ordination;
- Technical advisory staff in the specialized agencies for the key productive, social and service sectors;
- Planning and analytical staff capabilities in UNCTAD and the regional economic and social commissions.

And United Nations agencies have been consistently responsive to the problems and needs of the poorest peoples and countries and in establishing programmes for assisting LDCs.

108. Yet the economic crisis of the 1980s and the resulting demand for policy reform and structural adjustment did not find the United Nations agencies prepared to take a lead role in co-ordinating redirected development policies and reforms. There have been outstanding exceptions, including the lead of the United Nations in mobilizing and co-ordinating international relief in emergency situations, and United Nations agencies concerned with social development have increasingly taken a more co-ordinated approach in programming their activities and in seeking to influence the international agencies with regard to the social costs of adjustment.

109. However, the United Nations agencies generally are perceived as having co-ordination problems among themselves. Some 19 United Nations agencies provide development assistance to LDCs under rather loose co-ordination arrangements. Modest progress has been made in recent years in better alignment of their assistance programmes and in co-ordination of their activities in the LDCs, mainly through the role of UNDP resident representatives as United Nations co-ordinators.

110. The SNPA, adopted at the United Nations Conference on LDCs in 1981, recommended that the LDCs should establish consultative arrangements where they did not exist and should strengthen those already established.

Co-ordinating systems then in use included round-table meetings (RTMs) assisted by UNDP and consultative groups (CGs) assisted by the World Bank. Some 23 LDCs opted to continue or establish RTMs, while 12 LDCs followed the World Bank-led CGs.

111. However, the UNDP round-table approach, which had evolved from the experience of the 1970s, proved inadequate to meet the co-ordinating requirements of the 1980s for two reasons:

- First, the early RTMs were conducted as donor pledging sessions which largely focused on a pre-prepared list of project proposals for financing, often without adequate analysis of their relation to the macro-economic policies and overall priorities of the LDCs;

- Second, the early RTMs were "town hall" types of meetings which provided a sounding board for the largest possible number of representatives of potential donors, international agencies, other LDC Governments and non-governmental organizations. Meetings of some 150 or more participants, which characterized the early RTMs, yielded generally disappointing results and limited the possibilities for serious policy dialogue between LDC government representatives and influential donors.

112. These deficiencies in the early RTMs limited the potential for meeting the LDCs' pressing development needs and the resolve of both the donor community and LDC Governments to optimize the availability and effectiveness of aid resources.

113. In response to these needs, in late 1985 UNDP launched a new generation of round tables under a revised format which benefited from the experience of the World Bank-led consultative groups. This experience focused co-ordination more purposefully under the lead of the co-ordinating agency - the World Bank or UNDP - in support of policy-based aid for structural adjustment, limiting participation in country review groups to a relatively small number of influential donors.

B. System of World Bank/IMF policy co-ordination

114. During the 1980s, with the increasing policy-based lending of the World Bank in the form of sectoral and structural adjustment operations and the increasing emphasis of the Fund on structural policies, the collaboration between the two organizations intensified. One means for their closer collaboration was to jointly agree on the financial requirements of individual LDCs for stabilization and adjustment by jointly preparing "Policy Framework Papers" (PFPs) that describe a three-year programme of macro-economic and structural adjustment, including the key objectives of the programmes, the policy measures, and the financing requirements in support of the adjustment effort. The draft PFP is then negotiated by IMF with the Government of the LDC concerned and forms the basis on which the World Bank and UNDP-led country review group preparation is based.

115. Given the resource constraints, the PFP process has been necessarily austere. In many cases economic growth has proven, in practice, the residual component - a fact that has led to strenuous efforts by the Bank and the Fund to mobilize additional donor resources.

116. The joint co-ordinating system of the World Bank and IMF has given them unprecedented influence over the economic policies, programmes and institutions of the LDCs. This is due primarily to the near monopoly of these institutions as the main source of significant additional financing of foreign exchange for essential imports for the import-starved LDCs. The significant role of Bank/IMF co-ordination in support of structural adjustment programmes has been made possible by the strong support of donor Governments.

C. Donor-LDC perspectives on aid co-ordination

117. It has long been a first principle of aid administration that developing countries have primary responsibility for aid co-ordination and economic management. Donors have legitimate concerns that funds provided be used effectively for the purposes intended, and good aid administration seeks such assurances by means which preserve and strengthen recipient country responsibility. This principle was reaffirmed by the members of the Development Assistance Committee (DAC) of the OECD in their 1986 guiding principles on "Aid for Improved Development Policies and Programmes and Implications for Aid Co-ordination". The guidelines specifically emphasize that:

- Developing countries have the central responsibility for setting their policies and priorities and for aid co-ordination;

- Donors stand ready to help recipient Governments strengthen their capacity to plan and manage policies, programmes and projects;

- Developing country planning and administrative capacity is an important variable of the effectiveness of aid levels.

118. DAC members have been assertive in stressing the importance of the World Bank/IMF-led process of working with developing countries in the articulation of structural adjustment programmes, and they have also encouraged UNDP to strengthen its capacity to perform its co-ordinating role more effectively through, inter alia, more emphasis on policy reforms.

119. DAC donors also seek themselves to influence co-ordination arrangements as much as possible. They "recognize the need for their greater participation in assisting developing countries to improve their policies and programmes" and "feel that the processes of concertation and co-ordination should provide an opportunity for bilateral donors to express their views during the formative stages of policy and programme consultation between recipients and international agencies".

120. While the DAC guiding principles are sound, their application can be improved. Far from strengthening LDC capabilities for co-ordination and management of resources, the reality has been that donors have been playing increasingly prominent roles in the co-ordination of aid - both directly and through the Bank/Fund policy framework - and that the role of LDC Governments has been relatively diminished in the process. In some cases, LDC capabilities for management of resources have actually been deteriorating.

121. When donors take the lead in policy aid co-ordination, many LDC Governments tend to go along perfunctorily, even when they have little

commitment to the process because acquiescence is important to obtaining the aid they need. This encourages passivity on the part of officials of countries heavily dependent on external assistance.

122. It is of course true that many LDCs have not been able to manage aid co-ordination well, and in the early stages of the economic crisis of the 1980s there was a rationale for exceptional donor direction. Some LDC Governments welcomed external pressure to help them undertake essential reforms. Experience, however, has demonstrated that building the capacity of LDCs to handle their own affairs is difficult when LDC Governments become overly dependent on donors to deal with immediate problems of reform and disbursement of aid.

123. An underlying premise of this study is that correcting imbalances between donor and LDC government responsibility for resource management should not be postponed, for over time the LDCs have to carry out this task themselves - and the ultimate success of donor assistance depends on it.

IV. ROLE OF COUNTRY REVIEWS AND AID CO-ORDINATING GROUPS

A. Structure and operation

124. The establishment of the country review process is one of the major achievements of the SNPA, and it should be strengthened and continued as a principal means of relating aid to the development priorities of the LDCs. Not that such mechanisms for LDCs did not exist before 1981. The World Bank had been leading consultative arrangements in Bangladesh and Nepal in Asia and the Sudan in Africa from the 1970s. Similarly, the UNDP-led round-table meetings had been held regularly for some African LDCs prior to the adoption of the SNPA. But for many other LDCs in Africa, Asia and the Pacific, country reviews have become an entirely new experience as a result of the SNPA.

125. Even for countries in which World Bank-led consultative groups (CGs) or the UNDP-led round-table meetings had existed before, they are now a more rigorous undertaking and are part of a more continuous process of co-ordination. Previously, the preparation for CGs and the actual conduct of the meeting, including the agenda, were largely an affair between the World Bank and the recipient. Donors came to the meeting, they had their say, and, afterwards, they went their own way in designing development programmes and identifying projects with the recipients that would help disburse the capital they had pledged or budgeted. Consultations among donors were limited.

126. Country review meetings are now more of a collective undertaking than before, though the World Bank and UNDP continue to take the lead, inter alia, through the effort involved in preparing the country economic memoranda for the meetings. Significantly, the World Bank and UNDP are now co-operating more fully in the conduct of their respective country review meetings, with the UNDP-led RTM itself beginning to assume the character of World Bank-led CGs, and UNDP now plays the lead role in co-ordinating technical co-operation at the CG forums, as well as at the RTMs. These are significant changes from the pre-1981 era.

127. As mentioned earlier, of the 42 LDCs, 12 have CG arrangements with the World Bank. Only Guinea and the Sudan have not had CG meetings on a regular basis in the 1980s. Twenty-three LDCs have RTM arrangements with UNDP.

For most countries, RTMs are held irregularly, particularly in Africa. The record in Asia is better except for Afghanistan and Yemen, where only one RTM has been held so far since 1981. For a number of countries in Africa, the process has yet to be regularized. There are some other LDCs for whom a CG or RTM mechanism is yet to be inaugurated or revived. They are Botswana, Burkina Faso, Democratic Yemen, Ethiopia, Kiribati, Sierra Leone and Tuvalu (see annex).

128. LDCs which do not have regular country review groups should be encouraged to adopt this process. And for those LDCs with well formulated development programmes, the appropriate country review group - CG or RTM - should be held annually as far as possible in order to build and maintain momentum for development progress.

129. The meetings of country review groups in recent years are typically held outside the recipient LDC concerned, partly to make it easier for senior officials from donor agencies to participate and partly to facilitate sponsorship in a "neutral venue" - normally Geneva for RTMs and Paris for CGs. It is at this level of country review meetings that donors are able to agree on broad support for individual LDC policies, programmes and projects and to indicate the level and types of aid they are prepared to provide.

130. There are three essential elements in the country review meeting process. Of these, the first phase of advance preparation, documentation and consultations prior to the country review meeting may be considered most important. If everything is well prepared and there is a meeting of minds between LDC recipients and principal donors, then the second phase of the meeting itself becomes something of a ritual for reaffirming points of emphasis and demonstrating solidarity and burden-sharing. However, when there is underlying uncertainty that important questions have not been adequately resolved either in advance consultations or at the country review meeting, the third phase of following-up and monitoring commitments becomes increasingly important. These three elements of the co-ordination process need some elaboration.

B. Preparation and prior consultation

131. With the extension of the donor country review process to most LDCs, the major initial focus was on preparation of LDC development strategy and programmes and associated project funding proposals using the country review meeting as a stimulus to more coherent planning. This widely acknowledged benefit of country review meetings has helped to concentrate the attention of LDC officials on key development decisions and priorities in relation to the required financing. Where the planning process is weak, preparation for country reviews can directly contribute to the strengthening of the process.

132. In the period 1982-1985, the preparatory work for country review meetings mainly concerned sectoral strategies and associated project funding with UNDP assistance in documentation. For the LDCs which undertook RTMs with UNDP, the preparatory phase was decisive. Having prepared project funding lists which were presented at individual country meetings, individual LDC Governments followed up directly in more detailed formulation of projects with interested donors. This first generation of RTMs was helpful to LDCs but generally did not lead to a sequential process of follow-up meetings.

133. World Bank CG meetings in the early 1980s focused on macro-economic policies and sector and project funding with a relatively limited number of LDCs, including Bangladesh, Haiti, Myanmar, Nepal, Somalia, and Uganda. The Bank consultative group process involved successive CG meetings to follow up the individual ongoing country programmes.

134. While the principal focus of the agenda for CG meetings is generally the World Bank Country Economic Memorandum, the LDC Governments concerned prepare their own documentation outlining the economic situation in the country, development issues and resource requirements. This documentation is prepared in close consultation with the World Bank and IMF, which often differ in their approach. Consequently, the conclusions and the thrust of the government documents attempt to bridge these differences, which can be very real. CG meetings are generally focused on current operational issues relating to progress of reforms, investment programme, and commitment and disbursement issues.

135. For the RTMs, the Government also prepares and submits its documentation for discussion in the meeting well in advance. With the changed format of RTMs, here too the emphasis is generally on macro-economic analysis and the derivation of the resource gap that needs to be bridged by the inflow of external resources. Then there are project lists including, in some cases, requests for balance-of-payments support. UNDP does prepare a memorandum of its own, which is often a summary of government documents emphasizing the main issues for discussion. Although RTM government documentation carries the approval seal of the Government, it is often the handiwork of consultants. This is necessitated by the perceived shortage of manpower in LDC Governments and efforts to adhere to standard formats for all RTMs. As a result, it is sometimes difficult to know if the policy initiatives carry the conviction and commitment of the government authorities. RT meetings tend to focus the discussion on mid- to longer-term economic and sectoral perspectives, but they are often relatively weak in mobilizing additional aid in the short term.

136. There are some examples of countries, especially in Africa, where the government documentation is a part of the formulation of the country's development plan or public investment programmes - a healthy process which should be more widely adopted. Burundi, Cape Verde, Malawi, the Niger and Uganda are some examples of such countries. In Asia and the Pacific, Bhutan is perhaps the best example of a country where the RTM or CG documentation is aligned with the basic parameters and thrusts of the country's development plan.

137. Prior consultation with donors in advance of country review meetings has become more important. This is because of the complexity of structural adjustment, reform and related issues and the fact that key policy-players - namely IMF and debtor clubs - have not always been readily responsive to donor concerns. The issue has been specifically raised by DAC donors in their request for greater participation in consultations preceding consultative group and round table meetings, which is essential to ensure genuine consensus on recipient country development policies.

138. Both UNDP and the World Bank have sought to respond to these donor concerns by holding consultations in LDC capitals and by financing missions to pre-discuss the main country review agenda issues with donors as a means of improving donor and LDC preparedness for mutual understanding and commitment.

The advance documentation also has to be harmonized with the perceptions of the major development partners of a given LDC if the aid co-ordination dialogue is to be productive.

139. The organization of "preview meetings" for some LDCs as a part of the preparatory process for RTMs or CGs is designed to respond to this need. The draft documents for RTMs are considered jointly by the donors and the Government in these meetings. In addition, attempts are made to arrive at a consensus on major issues so that the RTM itself can more constructively respond to the resolution of these issues. For example, a preview meeting was held for Burundi in Geneva in July 1988. The meeting discussed such substantive matters as adjustment efforts made by Burundi and the contents of the second phase of the Structural Adjustment Programme and the new Five-Year Plan. Such meetings have also been organized for some other African LDCs, including Togo, the Gambia and the Niger. A principal purpose and outcome of these meetings have been the revision and finalization of the documents to be submitted to the RTM, taking into account issues and concerns raised by the donor community.

140. A pre-RTM meeting was also organized for Maldives in Colombo in early 1989. For smaller countries like Maldives with limited representation of donors in the capital, the consultants who assist the Government in the preparation of the documents are an important medium for contacting the donors during the preparatory process. The consultants visit donor representatives in their own headquarters or where they are located in the region. The organization of preview meetings provides opportunities for government representatives themselves to interact with their development partners and share perceptions and concerns. However, the preview meetings have yet to be a universal element of aid co-ordination in LDCs. One inhibiting factor is the cost of the exercise.

141. As a part of the preparatory process for RTMs, UNDP assists some LDC Governments in sending "sensitization missions" to their major development partners. The missions are usually led by a minister of the Government, with one or two officials. This practice is specially relevant for countries with limited diplomatic and donor representation in their capitals. However, the missions also visit major donor countries which do have resident missions in the concerned LDC capital. According to UNDP, sensitization missions have contributed to inducing several new donors to attend the meetings.

142. The World Bank and UNDP should continue to emphasize consultations in advance of country review meetings and, to the extent practicable, systematize their approaches to establish consistency of performance in this important area which is a key determinant for building consensus on the main issues and assuring the success of CGs and RT meetings.

143. On the documentation side, the annual report of UNDP field offices, namely the Development Co-operation Report (DCR), is an important element of this process. The DCR is mainly an inventory of development assistance projects, both capital and technical, in the country, and it thus serves as a valuable means of sharing information among donors. Despite considerable improvements in recent years, however, the DCR continues to lack comprehensiveness in terms of coverage. It also suffers from methodological problems in aggregating data from different sources. Reporting from individual donors is incomplete and fragmented. Nevertheless, the country DCR

continues to be the one document that attempts to update the inventory of projects in all LDCs annually. It therefore has potential as a principal repertory of information on ongoing aid programmes that can be used by donors to avoid duplication and promote complementarity in projects they finance. To this end, the DCR is used by UNDP as an integral part of RTM documentation.

144. The increased co-operation and level of joint efforts among the international agencies helps in rendering the dialogues in the RTMs and the CGs more purposeful than they would be if the Government were to make its case without such prior consultations. Similarly, the major bilateral donors interact with the Government, lending their perspectives and perceptions to the formulation of the document. One danger is that, with the generally passive role which the LDC Government seems to play in the review process, such dialogues may further reinforce the donors' stamp in LDC priorities and programmes. A decisive factor would be whether it is the government representatives who sensitize the donors towards their aspirations or the other way around.

145. Given the range of issues and the number of donors involved, the intensity of prior consultation efforts required to achieve an advance consensus can prove expensive for the World Bank and UNDP. Important issues are sometimes left to be sorted out at the round table and consultative groups meetings. This has placed more importance on the conduct of country review meetings. World Bank and UNDP-led country review groups should evolve toward a co-chairing approach where the chair would be shared by senior representatives of the LDC Government and the international agencies. This would signal a politically important change in terms of shared co-ordinating responsibility.

C. Format and quality of the review dialogue

146. The review dialogue can be focused on anything, from relatively minor implementation problems to major policy initiatives. There is no standard practice or outcome which can be summarized as a general case. How to assess the quality of the review therefore becomes problematic. One guiding premise can be that whatever the extent and direction of the dialogue, it should meet the fundamental requirement that each context and component should form a part of a grand design of aid co-ordination aimed at efficiency and effectiveness in resource utilization. This criterion would be met under two conditions: (a) if the reviews reflect donors' concerns with regard to the policy frame of reference and implementation environment so that it would be easier for them to make a decision on increased levels of assistance as sought by the LDCs individually and collectively; and (b) if such concerns themselves are responsive to the recipient country's priorities and needs. Hence, the dialogue can be judged in the light of its ability to bridge the information gap between the Government's actions and intentions, on the one hand and the agenda and programmes of individual donors on the other.

147. The format of the country review group meetings, both CGs and RTs, is dictated by the business at hand, namely the LDC Government's presentation of its economic policies and programme with respect to performance to date and future priorities and aid requirements, donor questions and clarifying answers by government and lead agency representatives, and operationally firm indications of projected donor assistance. This is the core business of review meetings.

148. The range of issues which donors and LDCs seek to discuss at country review meetings has steadily broadened, and the management of these meetings requires a good sense of priorities. For example, most LDC country review meetings invariably consider certain recurring issues which bear importantly on development progress and require attention, including:

- Flexibility of donor assistance in terms of the pace of translating commitments into more rapid disbursements and untying larger proportions of aid;

- Progress in LDC implementation of policy and programme reforms;

- Discipline on the part of both donors and LDC Governments in adhering to mutually agreed investment priorities;

- Co-ordination issues, particularly at the country level, in terms of follow-up, implementation and monitoring;

- Improving the management capabilities of LDCs to carry out structural adjustment and related reforms.

149. Recently there has been growing concern with the social dimensions of structural adjustment and with the importance of developing a more coherent strategy for meeting technical assistance needs. Both these issues are now regular features of country review meetings, with UNDP taking the lead for technical assistance reviews at Bank-led CGs, as well as RTM meetings.

150. Additionally, there are a number of important, primarily donor-initiated concerns which also require the attention of participants, such as the role of the private sector, protection of the environment, the role of women in development, and the increasingly important role of NGOs.

151. It is impossible to give adequate attention to such a rich menu of outstanding issues at one-day individual country review meetings, which usually involve at least 20 official delegations. An able chairperson can do little more than guide the meeting through the core of its essential business and sort out one or two of the key issues, either directly in the meeting or through informal side consultations.

152. Consequently a number of the many issues of interest to donors must either be taken up by other forum or delegated to local co-ordinating groups (LCGs) in the LDC concerned for interim consideration. Special meetings on key sector or specific issues constitute one means of extending the work of country review meetings while maintaining their identity as strategic overview meetings of senior officials. Increasingly the CG and RT country review meetings are seen as the centre of a continuing process of dialogue and co-ordination, with follow-up reviews of sectoral and specific issues by local co-ordination groups and the possibility of results being reported back to a subsequent country review meeting.

153. An outstanding example of a co-ordinating forum operating in parallel with country review meetings is the group of donors which meets semi-annually at the World Bank in support of the Special Programme of Assistance (SPA) for 21 debt-distressed African countries - 16 of which are LDCs - undertaking structural adjustment programmes with the assistance of the World Bank.

other. The "round-table" character is almost lost in the process. Not that the donors do not have points of disagreement among themselves or different perceptions as to "what is good for the recipient". But these differences remain under the surface because of the burden which the participants carry to complete discussions in a cordial and constructive manner and in a very short period.

158. Increasingly donors have sought fuller and more candid dialogue on macro-economic reform issues and the financing implications of structural adjustment, including trade prospects and debt-service requirements. Certainly a degree of candour in discussion of underlying difficulties in the adjustment process significantly improves the utility of the meeting. However, it is unrealistic, given the time and format of CGs and RTMs, to expect a free-wheeling dialogue which reviews in depth all macro-economic as well as sectoral issues.

159. The concern of the recipients themselves is mainly to make sure that the donors agree to pledge a higher volume of resources in their favour and pick up as many projects as possible from the list of project profiles presented in the meeting. Policy issues are somehow less relevant in the recipients' consideration of the utility of the country review process. Even when policy issues come up as in the discussion of structural adjustment programmes, they are often discussed perfunctorily in CGs and RTMs, because the negotiations themselves are undertaken outside the CG. With regard to sectoral strategies, most documents are found wanting in the development and presentation of sectoral policies.

160. The dialogue in CGs and RTMs is also often impaired by the number of participants. There is a real dilemma here. A large number of participants, all of whom wish to discuss their programme, can become a constraint on a one-day meeting, stifling the possibility of serious dialogue on important issues. However, country reviews with a more limited number of principal actors but exclusive of some donors and agencies also impair to some extent the co-ordination process. The balance must be decided individually for each LDC. A persistent feeling is that the CG and RTM meetings are too "stage-managed" to serve desired ends or to yield innovative ideas. The relative lack of opportunity for engaging in substantive and coherent discussion on important subjects is also a problem.

D. Leadership and participation

161. The extent to which the structure and operation of the country reviews serve the purpose of aid co-ordination in the interest of LDCs depends upon the degree of participation of concerned parties in the process and the leadership role of the Government. One lacuna is that with the donors taking the initiative on identification of issues for documentation and intensive discussions, areas of donor policies and procedures that recipients believe need improvement tend to be overlooked. For aid co-ordination to be fully effective, the exercise must reflect the interests of all development partners. Similarly, for aid co-ordination efforts and their positive impact on development to be sustainable, the process should have the political commitment and leadership of the Government itself.

162. There are three aspects of the participation issue in country reviews. One aspect is participation within the Government. The second aspect of

166. The Arab and OPEC aid programmes have set up co-ordination mechanisms among themselves and adopted a common approach in processing and following up lending operations. Their representatives attend country review meetings in a number of cases and have engaged in co-financing projects in some LDCs.

167. In Bhutan, the country's largest and most important traditional donor, namely India, remains effectively outside the co-ordination process. Even though India attends the RTM for Bhutan, its aid programme remains distinct and is "co-ordinated" separately by the Government. In Nepal, two important bilateral donors, namely India and China, are also not directly involved in the process. This aspect needs some consideration if aid co-ordination is to imply a mechanism for dialogue and collaboration among the recipient and the donors in the interest of efficient and effective utilization of the total resources that are available in a given LDC. All principal donors - whether socialist, third world or OECD - should be brought into the country review and co-ordinating process as active participants.

168. The participation of NGOs in CG and RT meetings, if only as observers, is also an important question now for many countries. In rural development, poverty alleviation and social sectors, NGOs are playing a role that can be decisive from the point of view of delivery and effectiveness in many countries. However, they too are outside the ambit of co-ordination in most countries. This issue of NGO participation acquires a more serious dimension when one takes into consideration the fact that, in many countries, there is inadequate provision and concern within the national machinery for synchronization of the activities of NGOs with the rest of the development programmes. This is a delicate issue because one has to be careful to ensure that bringing the NGOs into the ambit of aid co-ordination does not mean the erosion of their special characteristics and potential for participatory development and their contribution toward sustainable development at the community level.

169. On the other hand, when regular donors themselves are increasingly inclined to funnel a part of their resources through NGOs towards areas where the latter have a comparative advantage, aid co-ordination forums can ill afford to ignore the existence of this group of "donors". When donors cannot influence government policies and programmes in some areas, they see NGOs as a way of circumventing the Government in favour of the poor, the underprivileged and the handicapped. This possibility has given rise to a mushroom growth of NGOs in some LDCs. In Bangladesh, there are reportedly 12,000 NGOs, many of which have established good reputations in poverty-related and disaster relief operations. In Burkina Faso, NGOs are also very active; there are over 100 NGOs, which together account for around a quarter of total public investment in the country.

170. Mechanisms should be established at the local level to integrate the role of this institutional system into development programming and aid co-ordination. The Governments, in some cases, regard NGOs as a potential threat to their monopoly over external resources and the political power that comes with it. In other cases, there are State-directed internal co-ordination systems which can dilute the very character of NGOs, making them quasi-governmental in actual status and rendering them less effective as NGOs. When this happens, even the donor NGOs begin to lose their flexibility. They become bureaucratic and lose their effectiveness. The NGOs with large budgets are more vulnerable in this respect.

171. However, some initiatives are being taken in the right direction. In the special meeting in Uganda on the programme to alleviate poverty and the social costs of adjustment, NGOs were invited. In a Togo RTM, some NGOs participated even though they did not take part in formal discussions. Round-table follow-up meetings have been convened with NGOs in Rwanda and other African LDCs. In the one and only local co-ordination group meeting that has taken place in the Lao People's Democratic Republic, 15 NGOs participated. In the same country, NGOs hold regular monthly meetings of their own. In Bangladesh, the donor community is making representations to the Government seeking its co-operation in arranging a special meeting to discuss the role of NGOs and the support they need from the Government and donors. In Burkina Faso, the NGOs have established a permanent secretariat in order to co-ordinate their activities and to promote information exchange, as well as increased co-operation with the Government. The Government in turn has set up a special unit within the Ministry for Planning and Co-operation to maintain liaison with the NGOs and follow up their activities. Similar mechanisms for co-operation between NGOs and the Government are also in place in the Niger.

E. Responsiveness to recipient country priorities

172. One major concern shared by many LDCs is that the review process no longer takes into account the SNPA, on which many LDCs pinned their hopes for an increased volume of aid resources with concurrent improvements in aid modalities. In their view, short-term economic stabilization and structural adjustment programmes have replaced the longer-term objectives of the SNPA.

173. One problem is that the LDCs themselves often give the impression that what they are after from the review process is additional resources, whatever relationship the use of these resources may have with their own system of priorities. The weaknesses of LDCs in planning and the gaps in project planning in particular, are well known. The donors, with all the resources and the consultants they have at their command, are not fully prepared for this task either. Yet, they seek to identify and help design projects for financing. When, therefore, the donors have their own agenda, whether individually or collectively, there is sometimes a mismatch between the projects and programmes that the donors wish to support and those which the recipient wishes to implement.

174. This brings up the issue of the commercial interests of some donors in aid administration, which naturally affects the selection of projects and their design and technological character. Even in this age of co-ordinated aid administration, there are still some "hang-overs" from the past, with some donors still concentrating on prestigious and visible projects in and around capital cities and other prominent regions.

175. In addition to regarding the aid review process as an instrument for mobilizing additional external resources to fill the resource gap, recipients want to minimize the conditions and strings attached to their aid by donors. Donors' co-ordination is functional for LDCs if their interaction leads to the minimization of conditionalities and improvements in modalities, inter alia, with regard to the incidence of tying of aid to procurement from specified markets. On the other hand, if donor co-ordination were to result in a hardening of terms and conditions, as the recipients see it, as a result of the toughest of the donors selling its or their point of view to the others, this would amount to "ganging up" against the position of the recipient. Even

then, since what matters, above all, is the flow of resources, the recipient might accede, but this cannot be interpreted as a positive result of aid co-ordination vis-à-vis responsiveness to recipient country priorities and needs, or as the needed consensus on development objectives.

176. A number of LDCs look to the country review process to promote complementarity between programmes and the modes of financing of different donors. The presence of too many donors, with many of them independently designing and assisting in the implementation of small components of major sectors, has been a burden on the limited resources of recipients, including their managerial capability.

177. While there has been significant progress in the institutionalization of the exchange of information among donors, this has not always produced the desired effect in avoiding duplication. As a remedy, some recipient LDCs and donors have been experimenting with the promotion of the concept of "lead donors". This concept creates an impression of a preference for "sectoral specialization" among donors and has led to some misunderstanding about the possibility of one donor pre-empting one sector while another donor claims greater experience and competence in that area. Nepal is trying to get around this problem by assigning only smaller donors to a lead role and bypassing such "giants" as the World Bank and the Asian Development Bank. Even then, it faces the criticism that the Government may be abdicating its role as the co-ordinator and the decision-maker with regard to projects and policies. What the Government itself hopes to do is to assign mainly the "institution-building" role to the designated lead agency, which is expected to accept that role for a relatively long period of up to 15 years. The idea is to create a set-up within the Government where every donor wishing to assist in a given sector finds a frame of reference with the lead donor. The proposal remains controversial, particularly among the donors.

178. In practice, sectoral specialization is not observed anywhere. Some donors do have a preference for one sector or another, but almost all of them also wish to be a partner in the implementation of programmes of global concern, namely poverty alleviation, environment, health, population and so on.

179. In Maldives there is an interesting proposal which runs counter to the concept of donor specialization. In the last RTM, the Government of Maldives asked for a Special Assistance Facility to receive contributions from donors who do not have a large aid programme in Maldives and who do not wish to finance and oversee the implementation of a project on their own. For a country where even small contributions can finance substantial development projects, the Government wishes to attract as many donors as possible who may otherwise be disinclined to set up their own establishment in this geographically handicapped country. UNDP has agreed to administer this facility to provide an opportunity for donors to contribute to the economic and social development of the country. This is an interesting concept which may be valuable for other small and similarly situated LDCs.

F. Monitoring and follow-up

180. A serious gap in the review process is the uneven institutionalization of the follow-up of CGs and RTMs and interlinkages with in-country sectoral and subsectoral co-ordination exercises. In some CGs and RTMs, specific suggestions and even agreements are made to hold discussions on specific

issues, sectoral or general policy-oriented, at the country level. These are positive indications. But in most instances the review process has yet to emerge as a system where interconnected agenda items in CGs and LCGs serve as inputs and outputs of meetings, with appropriate feedback mechanisms. The one area where such follow-up takes place systematically is with regard to conditionalities under structural adjustment lending or similar aid arrangements.

181. The Substantial New Programme of Action anticipated sustained follow-up review processes at the national, regional and global levels. A mid-term review was held in 1985 under UNCTAD auspices, but, of necessity, the review concentrated on an assessment of socio-economic situations and analysis of specific economic targets and actual achievements, including the progress made with regard to the expectation of resource transfer in favour of LDCs. The review could not be a part of a monitoring mechanism to see if each LDC's priorities were in order or if they were being harmonized with one another and with the donor countries' perceptions of their needs and potential.

182. The original SNPA resolution attempted to resolve the review issue by listing "national measures" and "international support measures". However, the evolution of the country review process itself has resulted in one set-back in this respect. The concept of least developed countries as a special category has been diluted, with the emphasis being placed on structural adjustment and other measures for policy reform in a manner that blurs any distinction between LDCs and other developing countries. In part because of this, a proper instrument for monitoring commitments, discussing their implementation and finding remedies for shortcomings is not yet in place. This refers not only to commitments on aid volume and modalities for delivering it but also to the substance of donor strategy and policies guiding the choice of projects and programmes they finance.

183. Almost all current discussions and work with regard to monitoring and follow-up are at the country level. Here, two perspectives are possible. The first emanates from the tendency almost to equate aid co-ordination with the design and implementation of a structural adjustment programme (or facility) in countries that are using the resources of the World Bank and/or the International Monetary Fund for this purpose. In this case, the monitoring function is related mainly to the macro-economic policies and performance of the country, as against the conditions and targets agreed between the donor and the recipient. A more important perspective concerns the task of relating different elements of the country review to expedite the implementation of agreed policies in their broader context, then monitoring this process and taking follow-up action to sustain and improve the development process. The first aspect must necessarily be an element of the second; after all, monitoring is required to assist the recipients and the donors to reinforce not only the financial but also the economic and social (and political) sustainability of a structural adjustment programme in a country.

184. Considered in this perspective, monitoring and follow-up arrangements are perhaps the weakest link in the country review process. There is considerable interest in the donor community, as well as in LDC Governments, in strengthening the review process. This is evident in the technical assistance provided over the years by UNDP for upgrading general co-ordinating and monitoring capabilities in LDCs.

185. Some donors have instituted a mechanism for jointly monitoring their programme with the Government. For example, in Nepal, the Asian Development Bank has a system of Country Projects Review Meetings (CPRMs) that are held twice a year. The purpose of the meetings is primarily to expedite project implementation and accelerate disbursements. Issues and problems are identified by the Asian Development Bank prior to a meeting and remedial actions are sought in the course of the meeting. The results of the measures taken are expected to be followed up at the next meeting. Such systems are no doubt prevalent also in other LDCs and in respect of other donors as well, but they are not linked together in the country review framework for general remedy and institutionalized follow-up.

186. Recently, thought has been given to how the CGs and RTMs could better contribute to further strengthening the monitoring process. The conclusions of CGs and RTs - as summarized and recorded by their chairpersons - are seen as a critical element in providing the basis for follow-up implementation of commitments - made or implied - and for ongoing work by local or other co-ordinating groups. DAC donors, in their guiding principles for aid co-ordination, underlined the importance of recording conclusions reached at consultative groups and round tables "in a detailed and action-oriented manner, and to make them available promptly to interested parties including local co-ordinating groups".

187. Too often in past country review meetings there has been lack of precision in the conclusions as to the respective commitments of donor assistance and of LDC performance. It sometimes appears to participants that what is said at CG and RT meetings is not binding on anyone, and clarifications have to be sought in bilateral follow-up consultations at the country level. The conclusions of CGs and RTMs should be more precisely formulated in terms of the agreed reciprocal commitments by donors and LDC government representatives as an essential basis for more effective follow-up implementation and monitoring.

188. It is of course true that CGs and RTs are not formal pledging sessions, and some donors apparently await the results of the meeting before reaching firm decisions on aid allocations. Also, it is a practice for some donors to seek bilaterally conditional assurances on specific points of LDC performance. It sometimes happens that clarification of some donors' funding intentions will take from a year to 18 months.

189. This results in delays and difficulties for LDCs, whose representatives, in projecting their programmes for the country review meeting, have already been placed in the position of making forward commitments, both within their own Governments and in relation to previously negotiated Bank/Fund structural adjustment agreements. It is not usually possible to negotiate IMF or Bank agreements to take account of delays in projected donor funding. Several LDC officials spoke of "successive donor obstacles to the firming-up of implied aid commitments by a plethora of short-term conditions" as a practice which undermines sustained development momentum.

190. In such cases CGs and RTMs have not met their core objective of achieving mutual and monitorable LDC and donor commitments; increasingly there are suggestions that the gap should be filled by local co-ordination groups to assure respective donor and recipient country performance.

G. Co-ordination and local co-ordinating groups

191. The CG or RTM held for a given LDC is no longer a discrete event; it is expected to be part of a co-ordination process that is continuous, extending to local consultative groups (LCGs) at the country level. There are several variations of these mechanisms which are still evolving in most countries. Arrangements exist for co-ordination among the donors, as well as between the donor community and the recipient Government. In contrast to the broad policy and programme-oriented CG and RT country review meetings, LCGs, involving essentially locally based and usually operationally oriented representatives of donor Governments and agencies, take up specific issues, including operational ones.

192. Generally, informal arrangements are as prevalent as formal structures of aid co-ordination. Formal arrangements are often the result of joint initiatives by LDC Governments in co-operation with donor representatives, usually the World Bank or UNDP. Donors themselves - in addition to informal exchange of information - have in a number of instances organized "donors only" formal meetings, including sectoral and subsectoral groups, in which the donors co-ordinate specific subject-matter-related issues or sectoral programmes.

193. Much of local co-ordination activity concerns the normal business of concerting efforts and sharing experience among development practitioners from different agencies, with the forms of co-ordination varying widely among LDCs, reflecting differences in culture, programmes and the preferences of key officials. What has given LCGs prominence is the recent tendency to regard them as implementing arms of country review groups for purposes of following up actions stemming from CG and RT meetings, monitoring performance and conducting special studies. Some have characterized local co-ordinating groups as "mini round tables" or "mini consultative groups".

194. A principal difference, of course, is that unlike their parent country review group, "mini CGs" or "mini RTs" meet on a continuing basis in the capitals of many LDC Governments, which have responsibility for aid management and policy programme co-ordinating functions. Indeed, as we have seen, donors continually assert that LDCs have the "central responsibility", and it is also said that active "mini CGs" contribute to strengthening that LDC responsibility. Donors, of course, have the best of intentions in this regard but there is a strong tendency toward "donor paternalism" in relations with LDCs, heavily dependent as the latter are on external aid.

195. One can observe two generic types of LDC situations in relation to local donor co-ordination activity. For example: Country A has a well developed structure of formally constituted local donor groups, including a group of local donor representatives concerned with overall aid co-ordination which meets regularly, usually without LDC government representatives. There is also a system of donor subgroups for different sectors and specific problems, each chaired by a representative of one of the donor agencies. This "mini CG" co-ordinating process does lead to unified donor positions on many issues. For its part, country A does not seem to have full control of the aid co-ordination process, despite a central planning and co-ordination office responsible for overview of the aid process. The office is staffed with officials who have benefited from many expatriate advisory missions and training opportunities over the years to strengthen their capabilities. Yet

donor representatives complain that the Government and its co-ordinating office is overly passive, generally accepting whatever aid is offered with little effort to relate it to government activities.

196. In comparison, Country B has no formally constituted structure of donor co-ordination groups, although donor representatives do informally share information and experiences. The LDC Government insists that when local donor representatives meet together formally on development problems of concern to the country, it should be at the initiative of and under the chairmanship of the Government. Such meetings take place periodically and are generally well attended and organized. The government central aid co-ordination office unit has a take-charge approach to aid co-ordination and is generally responsive to donor aid concerns and implementation problems, although not always with the precise results donors seek. However, observers give the office high marks for its continuing efforts to relate aid to ongoing national development priorities and activities.

197. These are two actual country situations, and the experience indicated is borne out, in varying degrees, by the experience of other LDCs as well. The strength of local donor groups does not necessarily contribute to building LDC responsibility for aid co-ordination. On the contrary, there is an apparent inverse correlation between assertiveness of local donor co-ordination groups and LDC effectiveness in the process. The lesson to be drawn is that donor agencies must integrate the objective of strengthening LDC government co-ordination and management capabilities more thoughtfully and purposefully in their aid operations. Of course, it does not follow that local co-ordination activities among donors should be suspended; rather, donor representatives should respect the responsibility of LDC officials to take charge of aid allocated to them as part of their responsibility for overall resource availabilities.

198. Some concrete examples of local co-ordinating arrangements operating in LDCs will give an idea of the extent of these arrangements, their variations and the still evolutionary state of the process. The most organized form of local co-ordinating group (LCG) process, as seen in some Asian LDCs, comprises a general LCG held twice a year with sectoral meetings organized as necessary to discuss sectoral programmes. In Bangladesh, the LCG meets regularly to discuss development issues and policies, including the Country Economic Memorandum before it is finalized by the World Bank. An emerging feature of the LCGs in these countries is the fact that they are used to discuss sectoral programmes and even Master Plans in order to facilitate their co-ordinated implementation. Various subgroups of the LCG work on sectoral and subsectoral issues. They may also discuss policies that cut across several sectors. The planned LCG meetings for 1990 in Bangladesh are on such diverse topics as the World Bank's Economic Memorandum, Food Policies and NGOs.

199. Despite a very elaborate structure and an active process of aid co-ordination, however, Governments take very little direct part in many LCGs. In Bangladesh, the meetings are mostly "donors only" affairs, with government representatives taking part occasionally as observers. The Government is "invited" to the meeting by the donors but it does not always attend. When it does, it may send a junior representative who has little authority to speak on behalf of the Government. The Government's participation is particularly sought by the donors when they want to look into the implementation of recommendations arising from special studies, e.g. in technical assistance or project aid utilization.

200. In Nepal, however, while there is also a "donors only" forum that is active in aid co-ordination, the Government plays some role in the overall process. But even here, the "donors only" meeting process is more active than the Government-organized consultations. They take up not only policy or other substantive issues but also administrative problems of aid management.

201. Nor is the "donors only" local co-ordinating group process unique to Asia; a similar pattern under the lead of local World Bank representatives can be found in some African LDCs as well. In Malawi, for example, the LCG meets on average every six months and it is actually supported by 12 donor subgroups for different sectors of the economy - all chaired by donor representatives, with government officials occasionally invited to attend as observers. Some of the sectoral work in co-ordinating programmes has been outstanding, e.g. transport projects and links to the sea led by the United Kingdom, the smallholder agricultural review led by the United States and FAO, and technical assistance assessment led by UNDP. The Government of Malawi accedes co-operatively to these donor initiatives - "too co-operatively" several officials have said. However, the Government does co-ordinate assistance in areas of special concern, and it calls and chairs meetings on emergency relief, food aid and the AIDS disease.

202. In Uganda, the Government initiates meetings with locally represented donors every four months, including representatives from non-OECD donors. "Donors only" co-ordination is led by the World Bank representative in regular monthly meetings which largely focus on reports on the World Bank's activities and the progress of structural adjustment and reform in Uganda. Bilateral donors found these meetings helpful but felt the need for a better exchange of information on other donor programmes as well. In Burkina Faso, the authorities have set up a system of consultations with some donors; for instance, there is a committee which meets periodically to review implementation of the aid programme of the EEC.

203. UNDP has also been active in scheduling regular meetings of local donor representatives in RTM countries. The programmes in many of these countries are acknowledged to be excessively "donor driven". In several LDCs, efforts are being made to break out of the "donor only" syndrome. Most valuable are sectoral consultations among donors and recipient government officials directly concerned, as well as the dissemination of their conclusions widely among interested government officials and other donor agencies.

204. In a number of LDCs, individual sectoral review meetings have been held with wide participation of government and donor officials to discuss sectoral policies and programme direction. Their utility usually depends on the quality of preparation in the form of an advance government or agency study. UNDP is particularly active in sponsoring sectoral or special programme consultations on a wide range of topics, including for example water resources, public administration, industry, agricultural research, fisheries, forestry, and non-governmental organizations.

205. Many African LDCs have joint government-donor monitoring committees parallel to the LCGs organized by donor agencies. The establishment of joint monitoring committees was recommended by the Organization for African Unity (OAU) in 1986 at the time the United Nations Programme of Action for African Economic Recovery and Development was endorsed by the United Nations General Assembly. Many African Governments follow the practice of chairing a

joint meeting with donor representatives every six months to review progress and problems. These meetings are usually high-level briefings by a senior Minister, with most of the donor country ambassadors in attendance.

206. Some smaller LDCs have yet to gain experience with a regular mechanism of local co-ordination, even where they have an RTM exercise conducted by UNDP. Some countries have the problem of not having enough donor representatives resident in their capital cities to facilitate such meetings. In others, the LDC Governments are still reluctant to engage in such a process for fear of the donors "ganging up" on them. Even where there is no such fear, a Government may not be over-enthusiastic in a case where it feels that for the amount of external assistance that it wants and receives, it itself is in a position to see that the aid programmes are well-co-ordinated. Bhutan and Botswana appear to be in this position. Island States like Maldives and Samoa are handicapped for reasons beyond their control. Even while they wish to encourage donor meetings, donor representation in their capital cities is limited. These countries have tried to start a process by organizing donor get-togethers when emissaries of donor Governments visit their capitals on special occasions, such as the Independence Day celeberations.

207. In some countries, even though there is no organized LCG, donor representatives meet occasionally to share information on their programmes and projects. The Lao People's Democratic Republic organized a special meeting of donors locally to discuss such important issues for the country as "women in development" and "shifting cultivation". This practice has also been followed in several African LDCs, including Togo where sector review meetings between the Government and the donors are held frequently.

208. The preparatory process for local or in-country consultations can also be extensive. The agenda for some such meetings can be provided by CGs and RTMs themselves where issues for in-depth analysis and discussions are identified. But, in practice, this is not happening to the desired extent. For local consultation groups, agendas are generated internally as a result of consultations among participants. For example, when sectoral groups operate, as in Bangladesh and Nepal, sectoral reviews are prepared by donors in advance of such discussions.

209. Even where LCGs are not active, the contribution of sectoral missions has been found useful in terms of both co-ordination and project identification. The preparatory process for local consultations also includes special studies geared towards identifying bottle-necks and initiating policy adjustments on aid-related administrative and substantive matters. In one LDC, concerned with the Government's unwillingness or inability to initiate a drive on local resource mobilization and the resultant constraint of inadequate matching funds, a "like-minded group" of donors has done a study on local resource mobilization. The study complements the work of the World Bank on taxation. The local consulting group is expected to meet on this issue.

210. At the in-country level reviews, the dialogue tends to be concentrated on and responsive to issues at hand. One reason is that the participants are all in-country or field-level personnel who can and wish to discuss vexing problems in depth. Usually, being in the front line, they are also most anxious to find solutions to such problems. Another reason is that this is where exercises for sectoral co-ordination take place, drawing the attention

of participants to the practical problems of duplication, overlapping and inconsistencies in aid activities. However, LCGs have yet to become a regular process in most LDCs.

211. The full-scale local co-ordinating group, a "field level" counterpart of the main CG or RTM, when organized and led by the Government, has the potential of being a truly aid-co-ordinating exercise, with the Government's responsibility for efficient management of resources reinforced as a result. The problem is that in several LDCs, the Government's domestic imperatives lend as much, if not more, of a formal atmosphere to these meetings as in the CGs and RTMs. In one Asian LDC, where such meetings are held at least three times a year to discuss such important things as annual budgets, even the press is invited.

212. When the general LCG is led by the World Bank and/or UNDP, the meetings tend to be real working session. But these meetings are not normally attended by government representatives, or when they are, they attract the participation of relatively junior officers as a reflection, in some cases, of government unhappiness over such meetings. The quality of dialogue in these meetings is generally better, but they cannot strictly be called part of the country review process as originally envisaged. These meetings have to do with donor co-ordination, which is different from aid co-ordination. It is such meetings, no matter how positive they are, that give rise to the apprehension in LDCs that aid co-ordination is an assertion of donor authority.

213. "Donor only" meetings do have their substantive value especially when sectoral programmes and strategies are discussed, but selling the conclusions to a reluctant Government which has not participated in the process can be difficult. When the Government does accept the conclusions, the donors have no way of knowing whether the Government is serious in its commitment.

214. When the Government takes an active part in organizing sectoral or subsectoral meetings with specific agendas of issues and strategies, the meetings and the dialogue can be very fruitful. One example of such co-ordination concerns the Forestry Master Plan that has now been adopted in Nepal after an intensive and extended dialogue between the Government and the donor. A slightly different case is that of Bhutan, where a similar meeting was organized to discuss the terms of reference for a similar Master Plan. Though the subject has become a matter of some controversy there, the "lead donor" agreed to disclose and discuss its approach with other donors interested in the same sector. Co-ordination is most fruitful when all the interested donors encourage the Government to take the lead in defining its priorities.

215. Each LDC should develop local co-ordinating groups as appropriate in a tiered structure, with the local consulting group at the apex supported by sectoral, subsectoral and implementation groups. Generally, all local aid co-ordinating groups should bring LDC Governments fully into the co-ordinating process with local donor representatives, and the "donor only" local co-ordinating groups now found in many LDC capitals should be brought into the ambit of LDC government participation and leadership.

V. ASSESSMENT OF DONORS AND RECIPIENT RESPONSIVENESS AND THE IMPACT OF AID CO-ORDINATION

A. Donor response to recipient priorities

216. The impact of aid co-ordination on donors' responses can be examined in terms of the change in aid flows and their modalities and the adoption of aid strategies and the financing of programmes and projects that are consistent with the needs of the LDCs and with the conclusions and consensus arrived at the reviews. Such responses will be the first indicator of the degree of consensus on the objectives of aid programmes and, therefore, a measure of the effectiveness of co-ordination.

217. It would be wrong to equate aid flows with degree of success of co-ordination. Nevertheless, it needs to be said that the impact of the country review process on aid flows and the economic progress of LDCs is far from satisfactory for most LDCs. Without implying that the trend is necessarily a result of inadequate inflows of external resources, one must take note of the disheartening fact that the rate of investment in LDCs as a whole declined from 19 per cent of GDP in 1980-1983 to 15 per cent in 1984-1987. Individually, some LDCs have an excellent record of investment, for example, Cape Verde, Botswana, and Maldives. But even in some of these countries, which enjoyed a rate of investment between 30 and 55 per cent of GDP in 1980-1983, the rate of investment declined in the 1984-1987 period.

218. Many LDCs had an unacceptably low rate of investment in the 1984-1987 period. Some examples are Chad (11 per cent of GDP), the Niger (9 per cent), the Central African Republic (14 per cent), Guinea (16 per cent), and Bangladesh (12 per cent). A principal reason for such low rates of investment is the very low or negative domestic savings rate in many LDCs, 15 of which had negative domestic savings rate in the 1980-1987 period. Interestingly, 16 LDCs had a rate of investment above 20 per cent during the same period, a testimony to the fact that external resources have played their useful role in these countries. A worse problem is that return on investment also shows a declining trend.

219. Net disbursement of official development assistance to non-African LDCs stagnated, in per capita terms, over the period 1980 to 1988 as a whole, not exceeding a level of $19 except in one year. For African LDCs, corresponding ODA receipts increased from $28 in 1980 to $41 in 1988 in per capita terms.

220. It may be interesting to observe what has happened to aid flows in countries which have not had any CG or RTM meeting since 1982. If we set aside, for this purpose, the exceptional case of Ethiopia and small South Pacific island States, an interesting picture emerges. The three African LDCs which have not had any country review meeting since 1982 (Botswana, Burkina Faso and Sierra Leone) had average growth of 10.0 per cent, 2.5 per cent and 5.7 per cent per year, respectively, in ODA commitments from DAC countries in their favour between 1982 and 1988. Three of the "reviewed" African LDCs, namely, Guinea, Somalia and Uganda, had an average growth in DAC bilateral ODA commitments of 13.8 per cent, 12.5 per cent and 30.4 per cent per year.

221. Bangladesh and Nepal, which have a very elaborate structure of country reviews, both had growth of only 6.4 per cent per year in their DAC bilateral ODA commitments during the same period. The asymetry in the size of some of these LDCs and also the different base-year level of aid commitments distorts comparisons. Nevertheless, what is clear is the impossibility of correlating aid flows and the intensity of country reviews.

222. In an objective sense, the purpose of aid co-ordination is not to contribute directly to an increased flow of external resources, though for most LDC Governments this would be the bottom-line standard measure of effectiveness. What it is expected to do, in this respect, is to help increase the absorptive capacity of LDCs so that these countries can claim and utilize external resources more effectively over time. From this standpoint further improvement is necessary. The low rate of disbursement continues to be a vexing problem in many LDCs. In Bangladesh, aid disbursement as a ratio of opening pipeline has decreased from an average of 40 per cent during the first three years of the 1980s to an average of less than 30 per cent during the latest three fiscal years, including fiscal 1989. In the Niger, the disbursement ratio fell from 70 per cent in 1986 to 52 per cent in 1989.

223. The issue of donors' response is important from the point of view of financing modalities and other donor practices which affect the disbursement ratios of the recipient. First of all, the fluctuations in commitment levels and the effect they have on investment management in LDCs directly affect disbursements and the ability of LDC Governments to plan their public and private investment programmes and the demand they make on their own domestic resources. The CG and the RTM process give a good deal of emphasis to this need, but the meetings themselves have not yielded long-term commitments from most development partners. In the review meetings, the World Bank and some other donors have been emphasizing the need for a greater portion of quick-disbursing aid, particularly in respect of increased import financing for structural adjustment programmes.

224. The question of aid tying continues to be important. The commercial interests of a donor affect the very rationale of aid reviews. Tying of aid, while perhaps understandable from the standpoint of the domestic concerns of a donor, is antithetical to the objective pursued in aid co-ordination. This is a subject which has been much discussed and needs little further emphasis here. It should be pointed out, however, that tying of aid appears incongruous at a time when the development partners of LDCs are otherwise in agreement on the need to encourage free competition, reduce subsidies and institute similar free-market-oriented policy reforms in the LDCs themselves.

225. The need for concessionary aid is of course emphasized in the CGs and RTMs, and most of the donors are now offering grant assistance to LDCs. Programme or sectoral aid is also increasing as a proportion of total aid flows, and local cost financing is a more widely accepted practice. These results are at least partly attributable to the review dialogues. New initiatives are also being taken on the debt issue, particularly for some of the heavily indebted African LDCs, but rarely is a meeting organized to concentrate in depth on the problems of donor aid administration from the standpoint of the recipient LDC.

226. The impact of aid co-ordination and its contribution to the effectiveness of aid cannot be judged in isolation from the substance of what is being co-ordinated. Theoretically, one would presume that the recipient has a "grand design" or strategy of development for the country from which the donors can draw inspiration, as well as special programmes that they can support individually and jointly. Unfortunately, given the inadequate capacity of political and managerial institutions in many LDCs to generate and sustain their own system of priorities, it is difficult to analyse donors' responses to them specifically and objectively. One cannot be sure whether the apparent agreement between the donors and the recipient on, say, the need for emphasizing given sectors or policy reforms is the result of the donors being responsive to the recipient priorities or of the latter going along with the donors in order to get the resources they want from their development partners. This factor is especially critical with regard to structural adjustment.

227. The donors have to work with the Governments and bureaucracies of LDCs as they are. They are also committed to aiding and assisting the people of these countries through their Governments. Where they think that they cannot rely on the judgement or the capability of these Governments, they have been taking the initiative themselves on behalf of these Governments to design and implement policies until such time as the LDCs themselves can assume a leadership role with responsibility and commitment. Besides, a number of LDCs look to the donors to help them come up with a viable and consistent set of policies and programmes for donor consideration.

B. Policy framework and structural adjustment

228. The joint World Bank/IMF system of macro-economic co-ordination became dominant for LDCs during the 1980s, engaging as it does the co-ordinated support of donor and creditor agencies of the industrial countries. One observer spoke of this system as a form of "world government" for LDCs.

229. Essentially, the Bank/Fund system has been a hybrid mix of the policies of the IMF directed toward helping individual LDCs establish short-term fiscal and financial equilibrium - within the limits of available resources - and the World Bank's policy role of capital transfers for mid- to longer-term development. The marriage of the two approaches to date has resulted in applying essentially short-term macro-economic policies with the intent of achieving longer-term structural adjustment, an approach which has a number of limitations.

230. On the whole the World Bank/IMF-led structural adjustment programmes (SAPs) must be counted as a remarkable achievement in terms of donor co-ordination for supporting programme assistance and the alignment of aid administrative procedures and procurement practices.

231. Further, the SAPs have begun a number of important reforms in LDCs, including early efforts aimed at mobilizing private capital and savings institutions, reducing the burden of public sector enterprises on public treasuries where the services concerned can appropriately be handled in the commercial sector, building the tax base to support government fiscal operations, encouraging more balanced growth in agriculture and light

industrial development, and developing more integrated approaches in social services, health, education, nutrition and population. These are important building blocks for longer-term development strategies.

232. However, it is by no means clear that the SAPs, in their macro-economic recommendations, are on the right track in placing such heavy dependence on export-led recovery and growth in commodity-dependent LDCs. This approach is based entirely on the assumption that the historical experience of the 1960s and 1970s is a good guide to world market development in the 1990s. Yet no research is being done to verify this assumption in respect of projected world market development and related investment. It appears likely that for the LDCs concerned more emphasis on mid- to longer-term internal market development, both nationally and regionally, would be a realistic policy orientation for the period ahead.

233. A further limitation is that the Bank/Fund framework for structural adjustment has been largely cast as short-term stabilization efforts to correct external payments and budgetary imbalances. The three-year projections are short as a planning frame for the fundamental reforms and adjustments being sought, and the IMF financing made available in the framework agreement is released within the framework of even shorter periods - usually on a schedule of 6 or 12-month financing tranches with periodic pauses of several months between tranches to permit reviews by Washington-based advisors to assure that conditionality is being met before more funding is released. This "stop-go" short-leash process of planning and financing is highly disruptive to the momentum of programmes, particularly since other donors tend to withhold aid funding pending each IMF short-term review. The periodic review of progress by IMF and the World Bank needs to be streamlined, with more delegation of authority to their regional offices and field representatives.

234. The Bank/Fund framework agreements have been mainly concerned with macro-economic policies and incentives. They are often a weak guide to development imperatives, which tend to be sectoral and related to the social and political experience and constraints of the LDCs, yet the link between the macro-economic policies proposed by the Bank/Fund and sectoral planning is frequently not well elaborated. In a number of cases, it is clear that macro-economic and sectoral staffs - both in LDCs and in the Bank - are highly compartmentalized, with limited communications between them. Much of the macro-economic advice of the Bank/Fund staffs is based on models of more highly developed economies and is often not readily applicable to less developed countries. This makes the lack in many of the LDCs of carefully formulated sectoral strategies, as a guide for investment and aid operations, all the more serious.

235. The linkages between macro-economic planning and sectoral strategies need to be greatly strengthened, both in LDC Governments and in the international agencies that seek to advise them. The World Bank and United Nations technical agencies need to better integrate their sectoral-project and technical advice with macro-economic policies. This would greatly help the LDCs to formulate structurally sound and operationally relevant sectoral master plans as a basis for improved aid co-ordination and investment. With improved sectoral planning, more closely related to macro-economic policy and reforms, the World Bank and IMF would be better able to tailor structural adjustment measures and financing to the unique and special conditions of LDCs.

236. The relative weakness of policy and management capabilities of many of the LDCs has led the international agencies and bilateral donors to exercise excessive influence on structural adjustment policies and investment programmes. The major technical and institutional initiatives of the Bank and Fund have been in terms of improvement of statistics on budget, balance-of-payments, external-debt and other data which facilitate the drawing up of policy framework papers.

237. However, on the whole, the institutional capabilities of most LDCs have not been strengthened, despite large technical assistance programmes. Invariably, reforms which are dependent on sustained institutional follow-up are not progressing. On the contrary, planning and administrative capabilities in many LDCs have continued to deteriorate. Technical assistance is largely unco-ordinated, either among the donors or by recipient LDCs. LDC management and technical capabilities to carry out reform programmes - and thereby assume political responsibility for them - appear to have been consistently underestimated. Contrary to apparent donor assumptions, political will - while essential - is not in itself a sufficient ingredient for LDC political leaders to see through reform programmes without building up the policy and managerial capacity for more indigenous implementation of the process.

238. The World Bank has recently acknowledged the relative limitations of past structural programmes as they applied to LDCs. In a report issued in November 1989, entitled Sub-Saharan Africa: From Crisis to Sustainable Growth, the Bank outlined the elements of a long-term development strategy. Reviewing the experience of SAPs in the 1980s, the report called for "adjustment with a difference" - better phased and implemented, more adequately funded and strongly focused on protecting the poor and vulnerable. Improved sectoral programmes are also called for, with particular emphasis on human resources to strengthen African LDC skills and institutions. Full support should be given to LDCs and the World Bank to formulate and carry out these longer-term programmes.

239. The whole thrust of the World Bank report is for a longer-term strategy based on LDC initiatives to adopt their own structural adjustment and reform programmes as a medium-term development planning basis, with LDC commitment to reforms adequate to the scale and nature of the investment and aid proposed. On this basis, donors would undertake to commit adequate financing and to respect the discipline of the medium-term plan in a renewed compact between the LDC Government and its development assistance partners.

240. Progress in relieving the debt burden of LDCs can be characterized as glacial. As noted earlier, the weak co-ordination between the Paris and London creditor clubs and the aid review groups increasingly undermines the development efforts of the LDCs. For example, decisions on debt rescheduling are made independently from aid decisions relating to the resources needed to support SAPs and appropriate economic growth targets. Yet decisions on debt rescheduling have a direct impact on current production, investment, growth and ability to carry out essential reforms in the LDCs. It is incoherent and unrealistic to continue to handle the debt element, affecting prospects for adjustment and development, separately from the country reviews in CGs and RTMs. These country review groups must take a comprehensive approach to the financial flows needed, encompassing in their review whatever adjustments in

the terms of outstanding debt are necessary to ensure the financial integrity and achievement of mutually agreed LDC structural adjustment and development programmes.

Adjustment and country reviews

241. Many CGs and RTMs are now almost solely about structural adjustment. The dialogue on policies and reforms is a positive development in countries that are reluctant to undertake necessary policy reforms on their own. However, the LDCs are concerned that the global policy frame of reference manifested in SAPs and similar programmes might obviate the very need for having a separate programme of action for LDCs. On the other hand, since it is SAPs and other financing modalities that bring in balance-of-payments support and programme aid into the country, the dialogue itself goes smoothly in the reviews.

242. When it comes to monitoring the implementation of conditionalities or expressing reservations on them, as many LDCs are wont to do, this task has been largely performed on a one-to-one basis between the Government and the Bank/Fund staff.

243. Among the issues of concern are: (1) whether, with the conditions attached, the resources arising directly from SAPs or prompted by them are put to the best use by the LDCs; (2) whether all donors, even those who are full participants in the aid review process, subscribe to the agreed policy framework and the discipline it imposes on them. The review process has yet to mature to a stage where policy reforms and resource allocation can be monitored effectively. There is progress with policy reforms, but in most cases the results are inconclusive. Also, some Governments may announce a policy as called for under SAP and have little intention of implementing it.

244. As to donor participants, some are not entirely serious about the programme. They may have their own "global policy frame", such as poverty alleviation and health and education for the "like-minded group" of Scandinavian donors and as far as the priorities in project identification and selection is concerned, the donors, in large number of cases, exchange information and "go their respective ways", guided sometimes by their own priorities and interests.

245. With many bilateral donors involved in SAPs as co-financiers or otherwise - and with the review process so far having been primarily a donor-driven exercise - it has been relatively easy for the donors to have the country review process devote much attention to the SAP framework. But it does not necessarily follow that the recipient LDCs, even when they have participated in the programme, are sufficiently committed to it. First, many of them have been expressing their reservations on the basic SAP philosophy. Indeed, there are perceptions even within the donor countries and societies that SAPs exacerbate the problems of poverty and inequity in LDCs. Second, even in LDCs where the gravity of financial and economic imbalances and distortions in resource allocation would call for such bitter medicine, it does not follow that the disease will go away if the source of the problem is more political mismanagement than economic mismanagement, or, when it is economic, if the source of the difficulties is, for example, the adverse movement in international commodity prices against which no change in domestic price structure would be a sufficient incentive for the producer. Even when SAPs - with their higher levels of aid - are able to show some positive results in

some countries in respect of reversing financial imbalances or other aspects of adjustment policy, the recipient LDCs show little evidence as yet of long-term prospects of economic growth on a sustained basis.

246. Aid co-ordination is a process which in general should be value-free and ideologically neutral. The SAP approach as currently applied, has a strong ideological content, to the extent that some of its dimensions are not acceptable to some participating donors themselves. For example, while a donor may wish to make sure that privatization is promoted under SAP, another donor may see poverty alleviation as the priority. Because the possibility of differences in donors' perception is real, even in LDCs that are implementing SAPs, LDC manoeuverability is not constrained as much as one would imagine from the set of conditionalities involved.

247. Paying attention to structural adjustment as well as basic needs fulfilment is, of course, a positive development from the standpoint of LDCs which have been complaining that adjustment policies, even when they are successful, do not affect the poor sections of the society who have little access to the potential benefits of the reform. If the latter affects them at all, it affects them adversely through the cut in expenditure in social services, the removal of subsidies, implicit wage restraint and so on. Indeed, many experts in the World Bank and elsewhere now agree that consideration of poverty alleviation and, by implication, the need for adjustment with equity should be a more integral part of SAPs.

248. There are LDCs, even now, which are implementing structural adjustment policies on their own without having recourse to IMF or World Bank resources. Maldives has successfully designed and implemented adjustment policies to the satisfaction of the World Bank and IMF, even though it has not used any facility of these institutions. In addition, its growth record has been commendable despite formidable constraints. The Lao People's Democratic Republic has adopted a New Economic Management System at its own initiative and is gradually liberalizing the economic régime under the leadership of its own Government and the ruling party. The same observations apply to a number of African countries. The message is that adjustment policies that are resisted in some countries are introduced in others at the initiative of the Government itself.

C. Differences in donor perceptions

249. One serious weakness that is evident in the review process is that while there is a greater degree of agreement among the donors with regard to the policy reforms in the LDCs, there is less dialogue on or explicit concern for implementing reform in donor policies. This has to do not only with the much discussed issue of different modes of financing and different procedures for aid approval and disbursements but, more importantly, with the substantive programmes and priorities themselves. Also, there are commercial and other interests of donors which make it difficult for them to harmonize their policies and programmes fully in the interest of the recipient LDCs. Partly as a result of the above, donors themselves wittingly or unwittingly contribute to discordant policies and steps within the recipient Governments in cases where line ministries are "patronised" by their favourite donors, including specialized United Nations agencies, and the co-ordinating agencies in the Government are bypassed.

250. Nor has the co-ordination process seriously addressed the competition among some donors to find projects for financing. Often, when a donor moves in to grasp a project, in the process it also puts the conditionalities being worked out by some other donors in jeopardy. In one LDC, for example, a major conditionality regarding liberalizing the sale and distribution of fertiliser negotiated by many donors was nullified by another donor, that was ready to grant a loan of $55 million without any such condition. This should not be taken as an endorsement of the conditions that were violated. That is a different issue. What is being stressed here is the continued indiscipline, in some cases, among the donors themselves for the containment of which the review process also has to play its part.

251. The general consensus is that, after having done their duty in the aid co-ordination meetings, most donors go their own way when it comes to identifying and financing individual projects. The mandate deriving from their own country's policy, the pressure of their own bureaucracies and the influence of their own practices take them their respective ways to carry out negotiations with the Government and enter into agreements on a one-to-one basis as before.

252. There are important areas of common interest in which almost the entire donor community can reach almost full agreement. These are areas such as the environment, women in development, NGOs, etc. However, for the field personnel of the donors, not to mention the recipient LDC itself, undue emphasis even in such areas can be counter-productive. For example, "the environment" has allegedly now become so popular for many donors and technical assistance agencies that many LDCs are the object of successive donor missions offering competing technical advisory projects.

D. Conclusion on overall progress and effectiveness of country reviews

253. This review of co-ordination groups leads to the following conclusions:

(a) Generally, preparation for and specific conduct of CGs and RTMs have greatly improved. Both UNDP and the World Bank have upgraded their performance in this respect - UNDP by improving its capacity, the World Bank by cultivating humility in the face of LDC problems. However, the follow-up and momentum of CGs and RTMs is extremely uneven and in many cases deficient;

(b) Sectoral and specific-problem reviews among donors and government officials at the local level have considerable advantages, particularly for the exchange of information on current and planned activities, for keeping in touch with sectoral studies and other activities of general interest, and for encouraging greater consistency in donor programmes and initiatives;

(c) Too much should not be expected of local co-ordination activities in terms of a greater degree of specialization among donors or operational co-ordination of their programmes. Donor agencies have deeply set interests in their project programmes and a keen sense of "donor sovereignty" which is not easily changed at the local level. Also, most donors do not delegate sufficient responsibility to field staffs and tend to judge their performance by the extent to which project and disbursement targets are met rather than in terms of co-ordinated effectiveness of resource use;

(d) There are good possibilities for improved co-ordination of donor commodity and equipment import programmes in terms of rationalizing programme and operational procedures, as the World Bank has demonstrated in its administration of the special programme of import financing for African debt-distressed countries. Operational co-ordination among donors is also an important feature of food aid and emergency assistance programmes. Co-financing of projects among donors, while sometimes difficult, can improve co-ordination, as well as financing capabilities - as has been demonstrated by the World Bank;

(e) While World Bank and UNDP-led co-ordination of CGs aand RTMs is an established practice which works well, the same practice of World Bank and UNDP-led local co-ordination on a continuous basis at the seat of LDC Governments without the more active participation of these Governments is incongruous at best and poor development practice for the long term;

(f) Local co-ordinating groups are not currently equipped to meaningfully monitor performance - either of donors or LDC Governments. What appears to be missing is agreement on a method and reasonable time frame for monitoring performance in an effective and structured way. Given the development problems of the LDCs, it would appear unrealistic to expect substantial performance results in less than two years. Review of progress on LDC and donor performance should be jointly undertaken by LDC officials and UNDP or the World Bank as part of a regular process of preparation for meetings of country CGs and RTMs. UNCTAD's role in monitoring progress of special measures and programmes for LDCs should be linked with the monitoring process at the LDC country level, and it should include UNCTAD representation at country review meetings.

254. It is clear that in terms of sustainable impact, development partnership has much scope for improvement in the 1990s. While significant progress has been made in co-ordination among donors, much effort remains to be made for improved "aid co-ordination" between donors and recipients.

255. Aid co-ordination must fulfil at least three conditions even to qualify as a fully developed process: (i) the central responsibility for aid co-ordination must reside with the recipient Government; (ii) all donors participating in the co-ordination process should adhere to the consensus on priorities; and (iii) the review process must also include the consideration of the use of domestic resources in the fulfilment of development objectives so that aid reviews are not divorced from the investigation of efficiency in resource allocation in general. None of the country reviews fully meet these criteria.

256. The co-ordination process as it now exists is pinning too much hope on the effectiveness of the "planning from the outside" approach to economic development. It does not seem possible that substantive co-ordination on programmes and projects can be fully effective unless the Government itself takes leadership in improving its planning and programming process or the donors take the risk of foregoing project financing opportunities as a result of which they may not reach their targeted programme levels in a given country.

257. On the donors' side, the old dilemma persists in that when a recipient Government is either unwilling or unable to perform certain functions which the donors consider important, the latter end up doing what the Government

should do on its own. As a result, even where the efforts of the donors might appear to be succeeding in the short run, the process does not become institutionalized and the recipient's internal system rejects the process when the donors' interest or vigilance slackens. If aid co-ordination is sustained mainly on the practice of policy-making from the outside, it can, in fact, be counterproductive, because both the donors and the recipient would then have a vested interest in justifying what is or is not happening even if the real objective of development partnership is far from being met. The propensity of the concerned donors to prematurely acclaim significant improvements in economic policy-making may portend this potentially dangerous trend.

258. To sum up, the country review process has made progress in terms of some initial actions by the parties concerned and in the evolution of structures for this purpose. The impact, however, is uncertain in terms of agreement on a longer-term perspective that would require donors and recipients to rise above their short-term interests. It may be true, as asserted by the representative of an important donor in a LDC, that, with all the activities in aid co-ordination, there is still no interest in a long-term perspective. Some LDCs are simply selling poverty, while many of the donors are selling their wares and services, if not their ideology as well. Co-ordination assumes community of interests among all actors. In practice, this presumes that both the donors and the recipient Governments have as their primary interest the economic and social development of the LDCs.

259. One can approach the future with hope, since there is a determination to take corrective measures at least among the small section of the development community on both sides that can be pace-setters in new thinking and practices in development partnership. To re-enforce this process, UNCTAD should, every few years, review the overall progress of special measures common to the LDC group of countries as a whole.

VI. ADMINISTRATIVE FRAMEWORK IN LDCs FOR AID CO-ORDINATION

260. It can, perhaps, be argued that as a legacy of the 1980s and because of the imperative of the objective conditions in most LDCs, the private sector will probably play an increasing role in the development of agriculture, industry and several economic services in these countries. Excessive interference of government regulations with private entrepreneurship on the one hand and the widespread inefficiency of public sector enterprises on the other have led in recent years to new thinking towards a more prominent role for the private sector in the LDCs. In this regard, training opportunities should be provided to upgrade local private sector capabilities.

261. Development of the private sector does not diminish, however, the importance of coherence in economic policies and development strategies, which can be assured by better public administration of the planning process that has been embraced by almost all LDCs. The call for integration of aid co-ordination with the better management of the country's available resources is, therefore, a well placed emphasis. Administrative reform should be made an integral element of the country review process. Improving the efficiency of the public service should have as much emphasis as appropriate economic policy.

262. The role of co-ordination is such that it should also be understood as a function that is independent of external sources of financial resources. In other words, co-ordination is an everlasting function in a LDC, or any country, for that matter. It should not, therefore, be developed and sustained merely as an instrument of aid management. Rather it should be wedded to the recipient country's administrative environment.

A. LDC administration and aid co-ordination

263. The LDCs taking the lead in aid co-ordination as part of their inherent responsibility in economic management and development means that the co-ordination system becomes a more comprehensive concept than at present, encompassing, at least, co-ordination among aid-utilizing agencies within the Government and co-ordination between the Government and the donor community. In discussions on the structure of aid co-ordination, the question of co-ordination within the Government is rarely brought out, except, perhaps, in the context of concern regarding slow disbursements.

264. Co-ordination is rendered difficult by the competition among multilateral institutions, as well as bilateral donors. There are several examples of LDCs where the line ministries still find it possible to seek aid and sign agreements with donors without reference to a central aid management unit.

265. The focal point for aid co-ordination in LDC Governments should be clearly identified, vested with adequate authority and strengthened in staff as necessary. The focal point is almost always an external resources unit, like the Commissioner for Aid Co-ordination in Uganda or the External Resources Section of Maldives. However, the location of this unit within the Government differs from country to country and is an issue in some LDCs. The co-ordination focal point should be seen as a central service centre for LDC agencies and donors. Strategic planning in relation to aid is normally performed in other agencies of government.

266. An important organizational issue in LDCs is the establishment of functional linkages between the aid co-ordination unit of the Government and its national planning and monitoring system and the management of its public finances. These two functions are usually entrusted to different ministries or agencies. The differences in tradition, orientation and technical competence between the finance and planning institutions make the task of aligning resource management with development perspectives difficult even without the further complicating influence of foreign aid. As a part of administrative reform, the responsibilities of the national planning agency and the finance ministry should be firmly delineated and made complementary to one another.

267. The planning system as a whole continues to be weak in most LDCs. First, there is often the problem of the lack of political weight vested in the national planning agencies. Mostly, their functions are advisory in nature. Secondly, they face the danger of being rendered redundant by over-dependence on external resources, on the one hand and the overwhelming role of donor agencies on the other. Yet, with the increased emphasis on the macro-economic framework and the longer-term perspective in development assistance programming and structural and sectoral adjustment programmes, there is an

even stronger case than in the past for a competent national planning agency. The deterioration of planning capabilities in many LDCs should be reversed and their role strengthened for the future.

268. At the moment, the LDCs are in a peculiar position regarding their role in macro-economic management. Many of them have limited institutional capacity to undertake this task, yet they end up not only with the policies set out in adjustment programmmes but also with the responsibility for the accompanying policy framework papers in the preparation of which they may have a limited role. To correct this, the country's institutional capability needs to be upgraded so that these policies and functions become a matter of internal analysis and adoption, as they should be.

269. The planning and economic management system is a part of the overall public administration system in a Government. Civil services in many LDCs suffer from many weaknesses that need to be corrected. Some of the shortcomings are political in nature, and they need to be handled politically by the Governments concerned. A principal lacuna in this respect is the absence of clear-cut responsibility of institutions and individuals engaged in economic management and development programming in the Government. A related issue is the inadequate delegation of authority at appropriate levels so that civil servants and economic managers can take initiatives and exhibit a sense of professionalism in their work. There is also the issue of incentives and motivation. There are other problems in the public administration system of some LDCs that has affected human resources development in these countries. They are discussed in the context of technical assistance and human resources development below.

B. Technical assistance and LDC capacity for co-ordination

270. Strengthening the capacity and role of LDC recipients is the central aid co-ordination issue for the 1990s. In large measure this concern directly affects the programming and direction of technical assistance as it relates to building LDC management and institutional capabilities. However, there is a widespread perception among LDC officials and donors that technical assistance (TA) has not been achieving its purposes. Yet the amounts of TA provided to LDCs keeps growing. The report from a number of LDCs is that TA has very little emphasis on local capacity-building to allow nationals to take over from expatriate technical advisers, that on-the-job training is virtually non-existent, and that there are no deliberate efforts being made to develop local consultancy and TA capacity. Recently, UNDP has taken the lead in reviewing TA by means of national technical capability assessment programmes (NATCAPs), which are to provide the basis for a more co-ordinated and effective approach. The subject is one that is now considered by all CGs and RTs under UNDP leadership.

271. Indicative of the fact that it has not been very effective in building independent manpower capabilities in developing countries, technical assistance is far from levelling off, as it has continued to grow decade by decade since the 1950s. Currently, the number of experts and volunteers provided under aid programmes is in the order of 82,000. The cost relative to need and relative to alternatives has also reached extraordinary proportions. Approximately 25 per cent of total assistance provided to LDCs is for technical assistance. In the United Republic of Tanzania, for example, the

total cost of technical assistance in 1988 was some $300 million, of which $200 million represented the salaries, per diems, housing allowances, travel, and other direct costs of the 1,000 or so international experts provided as the core of technical assistance. In contrast, the total salary cost of the whole civil service in the United Republic of Tanzania in the same year, including teachers, was $100 million. And the situation in the United Republic of Tanzania is typical of that of technical assistance in many other LDCs today.

272. The relative inefficiency of technical assistance capacity building in LDCs is increasingly recognized. Much, if not most, of the technical assistance at present provided is of inadequate quality, is irrelevant in its focus, involves insufficient local knowledge and experience and above all, is not at all cost-effective when compared with other alternatives. The alternatives include more engagement of local manpower, both in combination with expatriate experts and progressively substituting for them.

273. One important reason for these weaknesses is that much of technical assistance is provided under the pressure or influence of donors - is "donor driven" - rather than being responsive to genuinely assessed LDC needs and uninfluenced requests. Many donor-funded projects are in the hands of expatriate project directors or co-ordinators, with little control by or reporting to the recipient Government. Not only does the present system lead to co-ordinating difficulties, but more importantly it means that donor assistance must be continued to assure sustainability of the activity. The irony is that, in their eagerness to get things done, donors tend to reduce LDC participation, commitment and responsibility, thereby undermining efforts to build local institutions and capabilities, which after all should be the ultimate objective of development assistance.

274. An interesting question is why LDCs allow so much technical assistance to be donor-driven, when it deprives nationals of jobs, postpones national control of activities and represents such a poor use of scarce foreign exchange resources. No doubt there are many reasons, including efforts of LDC officials to accommodate donors, since the price may seem small relative to issues of the level of aid or they hope some unspecified benefits may accrue to the country or perhaps to themselves. What makes the process difficult to deal with is that technical assistance continues to be justified by the very weaknesses in LDC capabilities which the assistance itself - as presently administered - continues to re-enforce.

275. Current reviews of technical assistance naturally look to needs and gaps in technical assistance without necessarily addressing what is the best and most cost-effective way to close them. One knows that in most LDCs, and their neighbouring countries, there are increasing numbers of nationals who have received their education and training in the best universities and technical schools of the world. Why are they not more often sought out, particularly when the objective is local capacity and institution building? Even when they are sought out, why is it that the use of national expertise does not seem to substitute for but supplement the use of expatriate consultants?

276. Does the answer lie in the built-in vested interests of donor agencies and of their advisers? Certainly under the present system of contracting for United Nations technical assistance, United Nations agencies earn far more to meet their general overheads by providing high-cost experts than by recruiting

equally well trained experts who cost much less. This and other disincentives to cost-effectiveness should be corrected. A thorough review should be made to reorient technical assistance to its original purpose of building LDC capacities - technical, managerial and institutional.

277. Effective capacity building for improved co-ordination and economic management requires that attention be paid to the quality and adequacy of remuneration of the local civil service. Much of the technical assistance funds now wasted on high-priced, ineffective expatriate experts would be better spent on helping LDCs with basic civil service reforms.

C. Technical assistance and human resources development

278. Lack of managerial and technical expertise in LDCs is cited as much now as it was two or three decades ago as a factor affecting the development process in these countries. Why a substantial volume of resources and persistent international efforts to provide for education and training of LDC citizens has not produced the expected results in terms of the institutional capability of these countries is a major question that must be addressed by all concerned. There is no doubt that there are now large numbers of trained personnel and experts in LDCs, many of whom are as good in terms of their individual competence as their peers in donor societies. Indeed, if this was not the case, the concept of TCDC (technical co-operation among developing countries) would have been a non-starter. But the contribution of these individuals to strengthening and upgrading economic management and development programming and implementation capabilities in their respective countries appears to be limited.

279. The Declaration of the ECA/UNICEF jointly sponsored conference on the Human Dimension of Africa's Economic Recovery and Development, held in Khartoum in 1988, observed that "the political context for promoting healthy human development has been marred, for more than two decades, by instability, war, intolerance, restrictions on the freedom and human rights of individuals and groups as well as over concentration of power with attendant restrictions on popular participation in decision-making". While some LDCs outside the African continent have been lucky in avoiding such problems, many of them are also the victim of other political pathologies that constrain participatory development and public accountability. These are shortcomings that cannot be corrected by aid co-ordination. They can only be noted as a prerequisite for the success of other institution-building measures.

280. Additional factors may be responsible for the poor results of technical assistance. First, the overall administrative environment may not be conducive to trained professionals producing their best. Second, the remuneration and social security conditions in civil services are often inadequate, and an honest civil servant can be hard put to meet the basic needs of his own family. Third, the technical assistance designed to help human resources development may itself be counterproductive at times. A well-trained national expert, getting a fraction of the salary of his expatriate counterpart, may not find himself sufficiently motivated. Revision of remuneration scales in the civil services of LDCs should be a key item of administrative reforms. This issue should be reviewed in conjunction with the possible need for reducing the size of the public service in some LDCs.

281. Human resources development has also suffered in LDCs because of the persistent "brain drain". In the "global village" which international co-operation is designed to build, people all over the world would wish to move freely in search of better lives for themselves, materially and professionally. Technical assistance, in some ways, can be interpreted as an instrument for compensating the LDCs for the loss of skilled manpower that they suffer on account of such labour mobility. In order for it to produce the desired results, however, the national planning and economic management institutions in LDCs should be more effective in channelling human resources, their own and those contributed by technical co-operation programmes, to the most productive uses.

282. There is no reason why concern for efficiency in the allocation of human resources should be less than that for financial resources in the LDCs. In fact, human resources may be more scarce than financial ones. Yet there is little planning or budgeting with regard to human resources, either by donors or by recipients. In most cases, expenditures incurred in the acquisition of technical expertise and services do not even enter the accounts of the recipient countries. How does one monitor the cost-effectiveness of technical assistance activity under such circumstances? In the context of human resources development, one unfortunate result of this situation may be that the recipient LDCs regard technical assistance as a free resource. The stimulus for building, upgrading and effectively using their own human resources is lessened when external technical assistance is perceived to be freely available. LDC Governments and donors should adopt a framework for technical assistance policy and programmes paralleling in importance structural adjustment programmes.

283. In conclusion, the LDCs are still suffering from the age-old problem of the weaknesses of a tradition-oriented public administration system which is not responsive to the requirements of a Government committed to economic development and public welfare. At the same time, an unresponsive technical assistance system has not been able to contribute to the strengthening of the institutional capabilities of the LDCs. The new challenge for the LDCs and their development partners is to find effective means of solving these persistent problems. This is as true for aid co-ordination as it is for economic development management of LDCs in general. To achieve a more satisfactory state of affairs in this field, as in all other areas related to aid co-ordination, political will for change in LDCs must be regarded as a key factor. This point needs to be taken note of, especially in the context of competing claims for aid resources.

Note

1/ The group of least developed countries comprises 42 developing countries with a combined population of over 400 million and an average GDP per capita slightly higher than $200. The countries are: Afghanistan, Bangladesh, Benin, Bhutan, Botswana, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Democratic Yemen, Djibouti, Equatorial Guinea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Sierra Leone, Somalia, Sudan, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, and Yemen Arab Republic.

Annex

CONSULTATIVE AND AID GROUP AND ROUND-TABLE MEETINGS SINCE 1981

LDCs with consultative and aid group arrangements	Dates of country review meetings a/
Bangladesh	Annually
Guinea	1987
Haiti b/	1981, 1982, 1984, 1985, 1987, 1988
Malawi c/	1986, 1988
Mauritania d/	1985
Mozambique	1987, 1988, 1989
Myanmar	1982, 1986
Nepal	1981, 1983, 1986, 1987 1988
Somalia	1983, 1985, 1987
Sudan	1983
Uganda	1982, 1984, 1987, 1988, 1989
United Republic of Tanzania	1986, 1987, 1988, 1989
LDCs with round table arrangements	
Afghanistan	1983
Benin	1983
Bhutan	1983, 1986, 1988
Burundi	1984, 1989
Cape Verde	1982, 1986
Central African Republic	1987
Chad	1982, 1985
Comoros	1984
Djibouti	1983
Equatorial Guinea	1982, 1988
Gambia	1984
Guinea-Bissau	1984, 1988, 1989
Lao People's Dem. Rep.	1983, 1986, 1989
Lesotho	1984, 1988
Maldives	1983, 1986, 1989

LDCs with round table arrangements (continued)	Dates of country review meetings a/
Mali	1982, 1985
Niger	1987
Rwanda	1982
Samoa	1983, 1986, 1988
Sao Tome and Principe	1985, 1989
Togo	1985, 1988
Vanuatu	1988
Yemen	1982

No country review meetings in 1981-1988

Botswana, Burkina Faso, Democratic Yemen, Ethiopia, Kiribati, Sierra Leone, Tuvalu.

Notes

Source: UNCTAD secretariat, based on information from UNDP and the World Bank.

a/ As of end 1989.

b/ Member of the Caribbean Group for Co-operation in Economic Development.

c/ Malawi also arranged a UNDP-sponsored round-table meeting in 1984.

d/ Donors' meeting held in 1989.